STATEMENT OF ACCOUNTS
2018/19

Hammersmith & Fulham Council

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CONTENTS

The Strategic Director, Finance and Governance's Narrative Report, the Council's Statement of Accounts for the Year Ended 31 March 2019 and the Council's Annual Governance Statement are set out on the following pages.

Independent auditor's report to the members of the London Borough of Hammersmith and Fulham

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of London Borough of Hammersmith and Fulham (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Fund Account and Net Assets Statement for the London Borough of Hammersmith and Fulham Pension Fund and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, Policies and Judgements, Notes to the Housing Revenue Account Statement Notes to the Collection Fund Statement and Notes to the Pension Fund Account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the London Borough of Hammersmith and Fulham Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2019 other than liabilities to pay pensions and other benefits after the end of the scheme year
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report, other than the financial statements and, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Strategic Director, Finance and Governance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director, Finance and Governance. The Strategic Director, Finance and Governance is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director, Finance and Governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director, Finance and Governance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit, Pensions and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Smith
Andrew Smith, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Manchester
31 July 2019

AUDITOR’S CERTIFICATE WHERE THE OPINION WAS PREVIOUSLY ISSUED IN ADVANCE OF CLOSURE OF THE AUDIT BECAUSE ASSURANCE WORK ON WGA WAS NOT COMPLETE – NO SUBSEQUENT EVENTS IDENTIFIED

Independent auditor’s report to the members of London Borough of Hammersmith and Fulham (the "Authority")

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- had been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- had been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Issue of audit opinion on the pension fund financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion the pension fund financial statements of London Borough of Hammersmith and Fulham:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund’s assets and liabilities;
- had been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- had been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, on the basis of our work, we were satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Certificate

In our report dated 31 July 2019, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2019. We have now completed this work.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

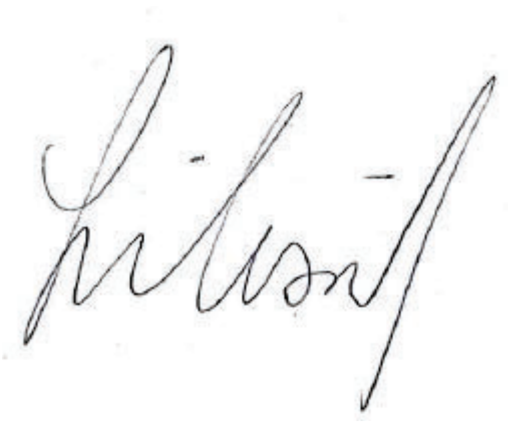
We certify that we have completed the audit of the financial statements of London Borough of Hammersmith and Fulham and the pension fund in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

Andrew Smith
Andrew Smith, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Manchester

16 September 2019

CERTIFICATION BY CHAIR OF THE AUDIT PENSIONS AND STANDARDS COMMITTEE

I confirm that these accounts were approved by the Audit, Pensions and Standards Committee on 23 July 2019



Councillor Iain Cassidy
30 July 2019

THE STRATEGIC DIRECTOR, FINANCE AND GOVERNANCE'S NARRATIVE REPORT

Introduction from the Strategic Director, Finance and Governance – Hitesh Jolapara

Hammersmith & Fulham is a dynamic, diverse and exciting place to live and work. Sitting alongside four and a half miles of the River Thames and nestled between one of the world's busiest airports, the City of London and London's West End, the Borough is aiming to be the best place for business in Europe, as well as a thriving hub for the arts, culture, sports and leisure. We are one of London's leading councils and our aim is to be the best.

Hammersmith & Fulham, like most local authorities, continues to face significant financial challenges. The Government's austerity agenda has triggered unprecedented cuts while at the same time demand for our services has increased. During this time the importance of finance has only been reinforced as we look for ever more efficient ways to make diminishing resources go further.

At the beginning of the year we budgeted to balance the books by delivering savings and efficiencies of £15.2m. Throughout a decade of austerity and reductions in government funding of £73m from 2010 to 2019 the Council has continued to successfully deliver savings. The Council recorded an overspend of £1.55m (0.3% of the gross General Fund Budget), the first overspend since the beginning of austerity. The overspend reflects increasing demand and other financial pressures facing the Council including, most significantly, demand for children's services. The Council's 2019/20 budget has recognised the significant budget pressures facing Hammersmith & Fulham and the Council moves into 2019/20 with a balanced budget and planning is now well underway for 2020/21 and beyond.

The Council has a strong balance sheet and a healthy level of one-off reserves, however the financial outlook remains challenging. To meet this challenge Hammersmith & Fulham has recently adopted the 'Ruthlessly Financially Efficient' agenda to drive further savings and financial efficiencies and strengthen financial control. Going forward the Council is investing its reserves as it takes forward its ambitious plans for regeneration and increasing affordable housing in the borough such as the West King Street Renewal scheme and other initiatives. The Council has also set aside a reserve of £13.6m to cover a shortfall in government education funding for pupils with high needs.

Our Vision, Priorities and Performance

In Hammersmith & Fulham we do things differently, challenging old-fashioned thinking. We're radically reforming the Council to modernise the way services are run and to put money back in residents' pockets.

Ruthless financial efficiency allows us to reduce the burden on residents by keeping council tax and charges for services low.

Our philosophy is to enhance civic life by empowering residents to change their own neighbourhoods for the better. That includes giving residents a leading role in developing policy in public, with the public. We believe that, if we do this, residents themselves can often change things for the better, and do it faster than anyone else.

We want to be a Council that acts with compassion so the most vulnerable among us are looked after.

H&F is a connected community that's on the up. There's opportunity here, but the prosperity must be shared by everyone, not just the few. We'll always challenge the unfairness that threatens to leave people behind.

We're ambitious for the borough. We know we'll succeed if we bring people together and work with them to ensure we tackle what holds us back.

The Council has also set out the following key priorities:

- Building shared prosperity
- Creating a compassionate Council
- Doing things with residents, not to them
- Being ruthlessly financially efficient
- Taking pride in Hammersmith & Fulham.

Our vision and priorities are explored in more detail here:
https://www.lbhf.gov.uk/sites/default/files/section_attachments/260_59_hf_vision_a4_booklet_rev8.pdf

An overview of the Council's priorities and performance is available in the Council's 2018-22 business plan here:
https://www.lbhf.gov.uk/sites/default/files/section_attachments/lbhf-business-plan-2018-22.pdf

Organisational overview and external environment

As a unitary authority, Hammersmith & Fulham has one of the broadest remits in the public sector. Some of the key areas for which the Council is responsible are as follows:

- Education
- Adult social care
- Children's services and social care
- Housing and regeneration
- Transport
- Planning and building control
- Libraries
- Waste management and recycling
- Trading standards
- Environmental health
- Council tax and business rates collection
- Housing Benefit administration.

This is by no means an exhaustive list and our website https://www.lbhf.gov.uk/ provides a full overview our services and how to access them. The Government has also provided a useful overview of local authorities services and how councils work here: https://www.gov.uk/understand-how-your-council-works

Detailed strategies and plans for many of these areas are available here:
https://www.lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/strategies-and-plans

Governance

The Authority operates the Leader / Cabinet system with 46 councillors in total representing 16 wards. The Council's governance arrangements are explained in detail in the Annual Governance Statement (AGS). The AGS is published as part of these accounts.

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that it is efficient, transparent and accountable to local people. The latest version of the Council's Constitution can be viewed here:

www.lbhf.gov.uk/constitution

Organisational model

A list of our main service areas and directors – who together comprised the Strategic Leadership Team (SLT) - as at the end of the 2018/19 financial year was as follows:

Chief executive	**Kim Smith**	kim.smith@lbhf.gov.uk
Strategic director, finance and governance	**Hitesh Jolapara**	hitesh.jolapara@lbhf.gov.uk
Director of corporate services	**Mark Grimley**	mark.grimley@lbhf.gov.uk
Strategic director of growth and place*	**Jo Rowlands**	jo.rowlands@lbhf.gov.uk
Strategic director of social care and public services reform	**Lisa Redfern**	lisa.redfern@lbhf.gov.uk
Director of children's services	**Steve Miley**	steve.miley@lbhf.gov.uk
Director of resident's services**	**Sharon Lea**	sharon.lea@lbhf.gov.uk

*Now the Strategic director of the Economy department
**Now Director of the Environment department

Up to date information concerning the SLT is available here:
https://www.lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/our-services

People

The Council employs 1,899 people in full time and part-time contracts (excluding schools). The Council's workforce generally reflects the diversity of residents across the Borough. Below is a detailed breakdown of the Council's employees by gender, age, disability and ethnicity.

Gender	
Female	56.3%
Male	43.7%

Ethnicity	Percentage
Black, Asian or Ethnic Minority (BAME)	34.3%
Non-BAME	41.9%
Unknown / Prefer not to say	23.8%

Age	
24 and under	2.2%
25-29	6.6%
30-34	9.2%
35-39	12.2%
40-44	10.8%
45-49	11.9%
50-54	18.0%
55-59	17.7%
60-64	8.6%
65 and over	2.8%

Disability	
Disabled	5.6%
No disability reported	94.4%

The Council, like other large employers, publishes its gender pay gap information. Hammersmith & Fulham has reported that the median (or typical) male employee earns 3.7 per cent more than the median female employee across the whole organisation (compared with 3.8% in 2017). The average mean difference is 5.2 per cent (compared with 6.1 per cent in 2017). We want to be the best, and that means not settling for just good enough. We will work hard to improve the parity of pay and progression across every aspect of our work.

To see our gender pay results and those of other organisations you can visit:
https://gender-pay-gap.service.gov.uk/

Risks and opportunities

The Council maintains a comprehensive risk register which is regularly reviewed by the Audit, Pensions and Standards Committee. This register is published as part of the relevant committee papers which can be accessed here:
http://democracy.lbhf.gov.uk/mgCommitteeDetails.aspx?ID=338

The Council's key risks are summarised below:

The Council's highest-level risks	Impact	Mitigation
Continued reductions imposed by national government in local government funding, restricts revenue spending.	Impacts on the Council's ability to run full services and may mean that some services are changed or reduced.	Enhanced Assurance and Risk Monitoring across the Council. A robust Medium-Term Financial Strategy (MTFS) process. Being ruthlessly financially efficient has been adopted as a core priority. Creating a leaner and more responsive management structure. Remodelling public services to ensure they genuinely satisfy residents' needs.
Safeguarding, protecting people from harm.	Potential harm to those most vulnerable in society.	Creating a compassionate Council through policies, training and management controls; lessons learnt reviews, quality assurance; enhanced checks. Regular meetings of the Council's Statutory Officers Accountability Board and maintaining professional standards and safeguarding teams.
Ongoing threat of terrorism and cyber threats.	Threat to our residents, visitors, service users and business community.	Emergency planning and business continuity Planning. Training, guidance, plans, new extranet development outreaching to our local community. Lessons learned and other reviews. Service Resilience Group and supply chain resilience.

The Council's highest-level risks	Impact	Mitigation
Ongoing uncertainty regarding exiting the European Union, Brexit.	Impacts on the Supply Chain, Inflation and demands on existing Council Services following an exit e.g. Workforce, Housing, Contracts, Residents, Finances.	Regular reviews of the position, briefings, dialogue with HM Government (Department for exiting the EU) and London Resilience, Brexit preparedness, contingency planning.
Commercial Contract Management and Procurement.	Impact on our Services to our Residents, Visitors and Businesses and the local Environment.	Council core priorities include achieving the best service for our residents from council staff and contractors. Our priority will always be to deliver first class public services for all. We will do this through development of more rigorous corporate contract management guidance, an improved learning and development programme, regular reviews of contracts and their performance.

Regarding opportunities, the Council continues to explore a number of regeneration schemes and opportunity areas through its Industrial Strategy. The Strategy – called **Economic Growth for Everyone** – reflects our ambition to make our borough the best place to do business in Europe and to ensure that everyone benefits. Hammersmith & Fulham is changing rapidly and we're determined to seize the opportunities for everyone. We believe local government has a role in supporting growth. It can bring partners together, regenerate town centres, help with affordable workspaces, teach people the skills they need, use procurement to support local firms and much more. In Hammersmith & Fulham, we want to use the power of local government to create a borough able to compete with the best in the 21st century. The detail of our Industrial Strategy is published online at: https://www.lbhf.gov.uk/business/industrial-strategy

The strategy also includes:

- How we will make it easier for savvy entrepreneurs to start and grow a business, creating more affordable workspaces, exploring business rates cuts for key sectors, and creating a new venture capital fund to support tech and creative businesses
- Details of major regeneration and infrastructure schemes, including delivering 10,000 new homes, half of which will be affordable, as well as improvements to rail links and the station at Old Oak Common
- Our investment in local skills, with extra support for science and math teachers and apprenticeships.

The 2018-2022 Business Plan sets out clear priorities around delivering 1,500 new affordable homes, including 500 for affordable home ownership and to review all sites including smaller areas to use every available piece of land for housing. The Council also has London Plan commitments to deliver new housing. To support these policies the Council has been preparing an assets and growth strategy, with the objectives of:

- Increasing the supply of affordable housing in line with the administration's priorities
- Using capital resource to increase the Council's income in line with the long term financial strategy
- Utilising assets to help manage demand and avoid costs, for instance from specialist housing or temporary accommodation.

This will be developed in 2019/20 with a clear commitment from the Council to work closely with its residents to shape the scope and plans for any development.

Fire Safety Reviews

Following the tragic events at Grenfell Tower in 2017, the Council continues to review fire safety across the borough. In July 2017 the Council launched its Fire Safety Plus programme. The programme is detailed in full here: https://www.lbhf.gov.uk/housing/hf-fire-safety-plus. Additional investment of £20m has been committed in this area and this is reflected in the Council's spend to date and spending plans moving forwards. Specifically, within the accounts presented here, an Earmarked Reserve of £12.0m exists to support this programme.

On 3 December 2018 the Cabinet approved the Council's Compliance and Asset Management Strategy which sets out the Council's approach to investing its capital resources in delivering a compliance-based asset management approach across all council housing. The Asset Management Strategy sets out how the Council will adopt a planned approach over the medium term to address the issues identified through a range of surveys including fire risk assessments, asbestos surveys and stock condition and structural surveys. The Council's number one priority is the safety and welfare of all residents.

The Environment

In our part of a busy city, residents deserve a place that is safe, clean and green. We're working hard to be the most environmentally positive borough in London, because the health and wellbeing of our communities is so important.

Some of our key environmental achievements and ambitions are set out below:

- Following the successful switching of streetlights to LED we've pledged to do the same across housing estates and grounds in the Borough
- We've increased the number of electric vehicle charging point in the Borough, approaching 1,000 points by the end of 2018/19
- We're planting new trees - completing schemes in Hammersmith and Shepherd's Bush and have invited residents to nominate more areas
- We are using new powers to fine motorists who pollute the borough by leaving their engines running as part of an experimental traffic order
- We're working closely with Transport for London (TfL) to make the Borough more attractive to pedestrians and cyclists.

Finance Strategy, Performance and Outlook

Strategy and resource allocation

Local government finances continue to be dominated by the austerity agenda. From 2010/11 to 2018/19 the Council's government funding to Hammersmith & Fulham was cut by £73m and further cuts will continue until at least 2020/21. Despite this pressure the Council remains well positioned in a demanding environment.

The Council has embedded the **Medium Term Financial Strategy (MTFS)** within its business planning framework. The MTFS has been the vehicle for allocating resources to the Council's priorities, driving through efficiency savings and monitoring their delivery. It provides the Council with a forum for challenging budget and service proposals, identifying and developing savings and efficiencies and dealing with significant financial risks, in particular the continued reduction of Government funding. The Council's funding reduction from government in 2018/19 was £5.9m.

Annually, the Council sets the **revenue budget** – this sets out the Council's spending plans on day-to-day expenditure which includes everything from staff salaries, building maintenance and the costs of refuse vehicles. It is a legal requirement of the Council to set a balanced budget i.e. expenditure cannot be more than the Council's income. In brief, the 2018/19 budgets included:

- A Council Tax freeze including not levying a 3% adult social care precept as suggested by Central Government - this meant that H&F residents paid council tax at 6% below the level modelled (3% social care precept and 3% for council tax) by the Government in 2018/19
- Growth of £6.5m provided to meet statutory obligations, demographic, service pressures and key resident priorities
- Savings of £15.2 million off-setting cost pressures and grant losses.

This produced a net revenue budget requirement of £138.9 million funded from Council Tax, the local share of business rates and Revenue Support Grant from government within a gross budget of £560 million.

The Council's 2018/19 Budget Strategy recognised the challenge in delivering the scale of budget reductions and recommended that the range for the optimal level of general balances be maintained at £14m - £20m. The actual general balances carried forward at the close of 2018/19 are £19m.

The Council also approves the **capital programme** which captures the spending to purchase or improve the Council's long-term assets (such as buildings and vehicles). The 2018-22 capital programme included:

- A Housing programme in excess of £200m
- The continuation of the School's Organisation Strategy (within Children's Services)
- The continuation of the Council's rolling programmes for Disabled Facilities Grants, Planned Building Maintenance, Footways and Carriageways and Parks.

Financial Performance

The revenue outturn for 2018/19 shows a year end overspend of £1.55m which has been funded by a drawdown against reserves. The overspend reflects the increasing financial pressures the Council faces including most significantly increased demand for children's services. At the end of the year, the General Fund balance stands at £19m and earmarked reserves at £62.5 million.

The 2018/19 Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The position below explains the same information in the form of the Council's management accounts. The Council's financial position (for example, total usable reserves and final working balance) is the same in both formats. The summary General Fund outturn position is as set out below:

Department	**Budget**	**Actual**	**Over/ (Under) Spend**
	£m	**£m**	**m**
Children's Services	53.370	56.679	3.309
Corporate Services	1.260	1.235	(0.025)
Finance and Governance	14.886	13.751	(1.135)
Growth and Place	14.298	13.154	(1.144)
Public Service Reform	2.873	9.915	7.042
Residents' Services	67.615	69.142	1.527
Controlled Parking Account	(23.037)	(25.437)	(2.400)
Adult Social Care	53.764	53.765	0.001
Centrally Managed Budgets (including unallocated contingency)	33.114	27.492	(5.622)
Gross Operating Expenditure	**218.143**	**219.696**	**1.553**
Technical and Financial Accounting Adjustments	(31.952)	(31.952)	-
Capital Grants	(8.274)	(8.274)	-
Non-Ring-fenced Revenue Grants	(15.074)	(15.074)	-
Net Contribution to Earmarked Reserves	(19.418)	(19.418)	-
Total Net Expenditure	**143.425**	**144.978**	**1.533**

Funded by:			
Localised Business Rates	84.909	84.909	-
Council tax	58.516	58.516	-
Total Funding	**143.425**	**143.425**	**-**
Final Position	-	1.553	1.553

Dedicated schools grant (DSG) is paid in support of local authority schools' budgets, being the main source of income for the schools. In common with other London Boroughs, the High Needs Block element has come under increased pressure in supporting children with special educational needs and spend is significantly higher than the funding provided by central government. This has led to a cumulative overspend on the Dedicated Schools Grant of £7 million at 31 March 2018. A 2018/19 DSG overspend of £6.6 million has increased the cumulative deficit to £13.6 million. The Education and Schools Funding Agency now expect local authorities to prepare deficit recovery plans however given the scale of the challenge, the Council has set aside an earmarked reserve equivalent in value to the DSG deficit in 2018/19 as set out below.

Dedicated Schools Grant deficit (Incl. Higher Needs Block) memorandum	***Actual £m***
Prior-year deficit transferred to reserves	*7.000*
In-year deficit transferred to reserves	*6.600*
Contribution to DSG funding reserve	*(13.600)*

The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of social housing. The closing balance on the Housing Revenue Account was £11.890m with associated Earmarked Reserves of £41.836m. Full details are set out in the HRA Statement of Accounts.

The Council's **Balance Sheet** as at 31 March 2019 is summarised below. The overall balance sheet position is substantially stable.

LBHF Summary Balance Sheet	**31-Mar-19** **£m**	**31-Mar-18** **£m**
Long Term Assets	1,833	1,882
Current Assets	399	377
Current Liabilities	(253)	(190)
Net Pension Liabilities	(631)	(649)
Other Long-Term Liabilities	(234)	(247)
Net Assets	**1,114**	**1,173**
Represented by:		
Usable Reserves	(212)	(250)
Unusable reserves	(902)	(923)
Total Reserves	**(1,114)**	**(1,173)**

The breakdown of the usable reserves is set out below:

LBHF Summary Usable Reserves	**31-Mar-19** **£m**	**31-Mar-18** **£m**
General Fund Balance	(19)	(19)
General Fund Earmarked Reserves	(63)	(95)
HRA Balance and Earmarked Reserves	(54)	(52)
Schools Reserves	(10)	(11)
Capital Reserves (Receipts and Grants)	(66)	(73)
Total	**(212)**	**(250)**

Capital

In 2018/19, the actual capital expenditure (outturn) totalled £55.7m million. The table below summarises capital expenditure by service area:

Department	**2018/19** **£m**	**2017/18** **£m**
Adult Social Care	0.215	0.393
Children's Services	2.140	17.409
Residents' Services	11.335	10.704
Finance and Corporate Services	4.003	5.790
Growth and Place - General Fund schemes under Growth and Place management	17.856	1.344
Growth and Place - Housing Revenue Account Programme	12.210	23.766
Growth and Place – Decent Neighbourhoods Programme	7.927	14.148
Total	**55.686**	**73.556**

The 2018/19 capital programme was financed as follows:

Capital Financing	2018/19 £m	2017/18 £m
Capital receipts	5.701	22.345
Increase in Capital Finance Requirement (CFR)	25.712	6.550
Capital Grants and Contributions	14.324	26.644
Major Repairs Reserve (MRR)	8.172	16.261
Council and School reserves	1.777	1.703
Housing Revenue Account	-	0.37
General Fund Revenue Account	-	0.15
Total	**55.686**	**73.556**

During the year the Council used £2m of capital receipts under the 'flexible use of capital receipts' scheme to fund 'invest to save' initiatives. This has enabled the protection revenue reserves to invest in future priorities.

Financial Outlook

Government funding is forecast to reduce further. Funding has reduced by £5.9m in 2018/19 and a further £2.9m cut in 2019/20. A number of major government reviews are anticipated in 2019. The Spending Review will consider the overall level of funding available to local government from central government, the Fair Funding Review will look at how that total funding is then distributed between local authorities.

The 2019/20 revenue budget was approved in February 2019 and included the following:

- Growth of £10.8m has been provided to meet statutory obligations, demographic, service pressures and key resident priorities
- Savings of £10.3 million off-setting cost pressures and grant losses.

Overall this produced a net revenue budget requirement of £136.7 million funded from Council Tax, the local share of business rates and Revenue Support Grant from government.

The 2019-23 capital programme, also approved in February 2019, includes:

- a Housing programme of £220m
- the progression of major schemes including the West King Street Renewal Scheme
- the continuation of the Schools' Organisation Strategy (within Children's Services) and Schools' Maintenance Programme
- the continuation of the Council's rolling programmes for planned building maintenance and footways and carriageways.

The medium-term outlook for local authority financing remains extremely challenging, however management are not aware of any material uncertainties in relation to the authority's ability to continue as a going concern.

Structure of the Statement of Accounts and Basis of preparation

The Statement of Accounts sets out the Council's income and expenditure for the financial year 2018/19 and its Balance Sheet at 31 March 2019. This covers the General Fund, Housing Revenue Account, Pension Fund and the Collection Fund. The format of the accounts follows the Code of Practice on Local Authority Accounting in the UK 2018/19, which specifies the principles and practices of accounting required to give a "true and fair" view of the financial position, financial performance and cash flows of a local authority. It primarily comprises the Key Financial Statements (including notes to the accounts) and Additional Statements / Other Notes.

The Statement of Accounts comprises:

Key Financial Statements

The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the Council's reserves during the course of the financial year. The reserves represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' and 'unusable' reserves. Usable reserves can be used to fund expenditure; unusable reserves cannot.

The **Comprehensive Income and Expenditure Statement (CIES)** reports all of the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting

Standards and the detail will therefore differ from the Council's management accounts and revenue budgets. However, the Council's financial position i.e. the working balance and usable reserves, will be the same.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities and reserves on 31 March 2019. The reserves are always equal to the Council's assets less the Council's liabilities. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.

The **Cash Flow Statement** shows the changes to the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets that can be readily converted into cash and have a low likelihood of a change in value. The statement shows cash flows from: 'operating' activities, which are the cash flows from the Council's services; 'investing' activities, which are the cash flows from the Council's capital investment, investments and asset sales; and 'financing' activities, which are primarily the cash flows relating to the Council's borrowings.

Explanatory Notes

The **Notes** provide more detail about the items contained in the key financial statements, the Council's accounting policies and other information that helps interpretation and understanding of the key financial statements and accounts.

Included in the Notes is the **Expenditure and Funding Analysis (EFA).** This shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting principles.

Supplementary Financial Statements

The **Housing Revenue Account** shows the income and expenditure relating to the provision of housing and associated services to the council tenants and leaseholders and includes the Statement of Movement on the HRA Fund Balance. This reflects the statutory obligation of the council to account separately for the cost of its activities as a landlord in the provision of council housing

The **Collection Fund Account** summarises the income and expenditure relating to the collection of council tax and non-domestic rates, including the precept collected on behalf of the Greater London Authority. It sets out the contribution of Hammersmith & Fulham Council tax payers to the costs of local services and its distribution to the Greater London Authority.

The **Pension Fund Account** sets out a summary of the transactions during the year (Fund Account) and the overall financial position of the fund at 31 March 2019 (Net Assets Statement).

The **Annual Governance Statement** is a statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the Council and the governance arrangements of the Council.

Materiality and Group Accounts

Group Accounts have not been included in the 2018/19 Statement of Accounts on the grounds that they do not have a material effect on the overall statements. Their inclusion does not provide any more usefulness to readers. The Council’s interests which have been considered for the purposes of group accounting are detailed in Note 33 – Interest in Companies. We will continue to assess these interests for inclusion in future group accounts should they become material.

In addition, the Council is the sole trustee of the Wormwood Scrubs Charitable Trust (WSCT). Again, group accounts have not been prepared on the grounds of materiality however Note 35 provides a high-level summary of the balances of the Trust. The Trust’s annual report and accounts are considered annually by the WSCT Committee and published here:http://democracy.lbhf.gov.uk/mgCommitteeDetails.aspx?ID=467. The Trust’s accounts are also available via the Charity Commission website.

Accounting Policies

The 2018/19 accounts are compliant with International Financial Reporting Standards (IFRS) in that they comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2018 (the Code) which is based on IFRS.

The accounting policies adopted by the Council comply with the Code and are set out in Note 37 to the Statement of Accounts. These are substantially unchanged from 2017/18.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director of Finance and Governance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Strategic Director, Finance and Governance

The Strategic Director of Finance and Governance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Director, Finance and Governance has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice on Local Authority Accounting.

The Strategic Director, Finance and Governance has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE

I confirm that the Accounts present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham and the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2019 and income and expenditure for the year for the financial year 2018/19.

Hitesh Jolapara
Strategic Director, Finance and Governance
30 July 2019

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash Flow Statement

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Notes	General Fund (GF) Balance £000	GF Earmarked Reserves £000	Schools Balance £000	Housing Revenue Account (HRA) £000	HRA Earmarked Reserves £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017		**(19,004)**	**(82,986)**	**(9,029)**	**(20,128)**	**(25,325)**	**(41,503)**	**(406)**	**(38,694)**	**(878)**	**(237,953)**	**(870,660)**	**(1,108,613)**
Movement in Reserves during 2017/18													
Total Comprehensive Income and Expenditure		43,151	-	-	18,629	-	-	-	-	-	61,780	(125,975)	(64,195)
Adjustments between accounting basis & funding basis under regulations	3a	(57,459)	-	-	(24,786)	-	3,185	(232)	5,517	-	(73,775)	73,775	-
Transfer to/(from) Earmarked Reserves		14,308	(12,008)	(2,300)	16,339	(16,339)	-	-	-	-	-	-	-
(Increase)/Decrease in 2017/18		**-**	**(12,008)**	**(2,300)**	**10,182**	**(16,339)**	**3,185**	**(232)**	**5,517**	**-**	**(11,995)**	**(52,200)**	**(64,195)**
Balance at 31 March 2018		**(19,004)**	**(94,994)**	**(11,329)**	**(9,946)**	**(41,664)**	**(38,318)**	**(638)**	**(33,177)**	**(878)**	**(249,948)**	**(922,860)**	**(1,172,808)**
Movement in Reserves during 2018/19													
Total Comprehensive Income and Expenditure		82,762	-	-	7,173	-	-	-	-	-	89,935	(30,891)	59,044
Adjustments between accounting basis & funding basis under regulations	3a	(49,137)	-	-	(9,289)	-	2,489	(7,932)	12,344	-	(51,525)	51,525	-
Transfer to/(from) Earmarked Reserves		(33,625)	32,685	940	172	(172)	-	-	-	-	-	-	-
(Increase)/Decrease in 2018/19		**-**	**32,685**	**940**	**(1,944)**	**(172)**	**2,489**	**(7,932)**	**12,344**	**-**	**38,410**	**20,634**	**59,044**
Balance at 31 March 2019		**(19,004)**	**(62,309)**	**(10,389)**	**(11,890)**	**(41,836)**	**(35,829)**	**(8,570)**	**(20,833)**	**(878)**	**(211,538)**	**(902,226)**	**(1,113,764)**

General Fund and HRA Balances as disclosed in Note 1 Expenditure Funding Analysis note:	**General Fund Balances***	**HRA Balances****	**TOTAL GF and HRA Balances**
Balance as at 31 March 2017	(111,019)	(45,453)	(156,472)
Balance as at 31 March 2018	(125,327)	(51,610)	(176,937)
Balance as at 31 March 2019	(91,702)	(53,726)	(145,428)

* General Fund Balances were calculated by adding the General Fund (GF) balance, GF earmarked reserves and schools balance together from the Movement in Reserves Statement.
** HRA Balances were calculated by adding the Housing Revenue Account (HRA) and HRA earmarked reserves together from the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		Year Ended 31 March 2019			Year Ended 31 March 2018		
	Notes	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Children's Services		181,347	(115,171)	66,176	169,578	(119,540)	50,038
Social Care		82,514	(33,865)	48,649	82,612	(34,427)	48,185
Growth & Place		39,864	(26,798)	13,066	34,966	(24,797)	10,169
Local Authority Housing (HRA)		75,647	(83,102)	(7,455)	68,502	(83,881)	(15,379)
Local Authority Housing (HRA) - Dwelling Revaluation		13,267	-	13,267	35,780	-	35,780
Residents' Services (including Parking)		96,936	(63,427)	33,509	96,163	(60,805)	35,358
Public Service Reform		39,700	(29,618)	10,082	38,182	(29,081)	9,101
Finance & Governance		45,005	(7,607)	37,398	41,559	(13,746)	27,813
Corporate Services		6,285	(2,132)	4,153	5,294	(2,216)	3,078
Centrally Managed Budgets		121,902	(115,071)	6,831	131,940	(126,141)	5,799
Cost of Services		**702,467**	**(476,791)**	**225,676**	**704,576**	**(494,634)**	**209,942**
Other Operating Expenditure	6	18,455	(4,615)	13,840	6,244	(7,329)	(1,085)
Financing and investment income and expenditure	7	28,664	(9,968)	18,696	30,251	(7,370)	22,881
Taxation and non-specific grant income and expenditure	8	77,454	(245,731)	(168,277)	18,059	(188,017)	(169,958)
(Surplus) or Deficit on Provision of Services				**89,935**			**61,780**
(Surplus) or deficit on revaluation of non-current assets				14,801			(54,213)
(Surplus) or deficit on revaluation of available for sale financial assets				(5)			(2,820)
Remeasurements of the net defined benefit liability	27			(45,687)			(68,942)
Other Comprehensive Income and Expenditure				**(30,891)**			**(125,975)**
Total Comprehensive Income and Expenditure				**59,044**			**(64,195)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves, unusable reserves, are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note No.	31 March 2019 £000	31 March 2018 £000
Property, Plant and Equipment	9	1,731,662	1,770,412
Heritage Assets	11	8,023	8,023
Investment Property	10	84,256	83,899
Intangible Assets		418	413
Long Term Investments	21	7,211	17,695
Long Term Debtors	21	1,330	1,330
Long Term Assets		**1,832,900**	**1,881,772**
Short Term Investments	21	260,982	238,429
Short Term Debtors	16	65,299	56,055
Inventories		88	70
Cash and Cash Equivalents	17	67,043	82,874
Current Assets		**393,412**	**377,428**
Short Term Borrowing	21	(12,096)	(7,040)
Short Term Creditors	18	(201,280)	(172,167)
Provisions	20	(27,831)	(9,894)
Grants and Contributions Receipts in Advance	30	(6,173)	(490)
Current Liabilities		**(247,380)**	**(189,591)**
Long Term Borrowing	21	(203,406)	(213,101)
Long Term Creditors	21	(100)	(100)
Provisions	20	(441)	(184)
Other Long Term Liabilities	19	(631,048)	(656,706)
Grants and Contributions Receipts in Advance	30	(30,173)	(26,710)
Long Term Liabilities		**(865,168)**	**(896,801)**
NET ASSETS		**1,113,764**	**1,172,808**
Usable Reserves	3b	(211,538)	(249,948)
Unusable Reserves	3c	(902,226)	(922,860)
TOTAL RESERVES		**(1,113,764)**	**(1,172,808)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority. The Cashflow Statement has been prepared using the indirect method.

	Notes	**2018/19 £000**	**2017/18 £000**
Net surplus or (deficit) on the provision of services		(89,935)	(61,780)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	22a	141,151	101,753
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(12,890)	(19,129)
Net cash flows from Operating Activities		**38,326**	**20,844**
Investing Activities			
Purchase of property, plant and equipment, investment property and intangible assets		(49,891)	(50,948)
Net purchase of short-term and long-term investments		(12,069)	-
Proceeds from sale of property, plant and equipment, investment property and intangible assets		12,890	19,129
Net proceeds from short-term and long-term investments		-	23,549
Other receipts from investing activities		13,668	33,321
Net cash flows from Investing Activities		**(35,402)**	**25,051**
Financing Activities			
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(376)	(335)
Repayments of short and long term borrowing		(4,564)	(7,206)
Other payments for financing activities		(13,815)	(8,163)
Net cash flows from Financing Activities		**(18,755)**	**(15,704)**
Net increase or (decrease) in cash and cash equivalents		**(15,831)**	**30,191**
Cash and cash equivalents at the beginning of the reporting period		82,874	52,683
Cash and cash equivalents at the end of the reporting period	17	**67,043**	**82,874**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's departments. Income and expenditure is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19	Total			General Fund			HRA		
	Comprehensive Income and Expenditure Statement (CIES)	Adjustments between Accounting and Funding Basis	Net Expenditure chargeable to GF and HRA Balances	CIES	Adjustments between Accounting and Funding Basis	Net Expenditure chargeable to GF and HRA Balances	CIES	Adjustments between Accounting and Funding Basis	Net Expenditure chargeable to GF and HRA Balances
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children's Services	66,176	(14,254)	51,922	66,176	(14,254)	51,922	-	-	-
Social Care	48,649	(1,197)	47,452	48,649	(1,197)	47,452	-	-	-
Growth & Place	13,066	(1,081)	11,985	13,066	(1,081)	11,985	-	-	-
Local Authority Housing (HRA)	5,812	(19,479)	(13,667)	-	-	-	5,812	(19,479)	(13,667)
Residents' Services (including Parking)	33,509	(15,055)	18,454	33,509	(15,055)	18,454	-	-	-
Public Service Reform	10,082	(648)	9,434	10,082	(648)	9,434	-	-	-
Finance & Governance	37,398	(6,305)	31,093	37,398	(6,305)	31,093	-	-	-
Corporate Services	4,153	(176)	3,977	4,153	(176)	3,977	-	-	-
Centrally Managed Budgets	6,831	3,243	10,074	6,831	3,243	10,074	-	-	-
	225,676	**(54,952)**	**170,724**	**219,864**	**(35,473)**	**184,391**	**5,812**	**(19,479)**	**(13,667)**
Other income and expenditure not charged to services	(135,741)	(3,474)	(139,215)	(137,102)	(13,664)	(150,766)	1,361	10,190	11,551
(Surplus) or Deficit on Provision of Services	**89,935**	**(58,426)**	**31,509**	**82,762**	**(49,137)**	**33,625**	**7,173**	**(9,289)**	**(2,116)**
Opening Balance of General Fund/ HRA Balances			(176,937)			(125,327)			(51,610)
add: (Surplus) or Deficit on Provision of Services			31,509			33,625			(2,116)
Closing Balance of General Fund/ HRA Balances			(145,428)			(91,702)			(53,726)

2017/18	Total			General Fund			HRA		
	Comprehensive Income and Expenditure Statement (CIES)	**Adjustments between Accounting and Funding Basis**	**Net Expenditure chargeable to GF and HRA Balances**	**CIES**	**Adjustments between Accounting and Funding Basis**	**Net Expenditure chargeable to GF and HRA Balances**	**CIES**	**Adjustments between Accounting and Funding Basis**	**Net Expenditure chargeable to GF and HRA Balances**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Children's Services	50,038	(6,253)	43,785	50,038	(6,253)	43,785	-	-	-
Social Care	48,185	(1,232)	46,953	48,185	(1,232)	46,953	-	-	-
Growth & Place	10,169	(1,214)	8,955	10,169	(1,214)	8,955	-	-	-
Local Authority Housing (HRA)	20,401	(38,620)	(18,219)	-	-	-	20,401	(38,620)	(18,219)
Residents' Services (including Parking)	35,358	(15,333)	20,025	35,358	(15,333)	20,025	-	-	-
Public Service Reform	9,101	(258)	8,843	9,101	(258)	8,843	-	-	-
Finance & Governance	27,813	(5,467)	22,346	27,813	(5,467)	22,346	-	-	-
Corporate Services	3,078	(183)	2,895	3,078	(183)	2,895	-	-	-
Centrally Managed Budgets	5,799	4,432	10,231	5,799	4,432	10,231	-	-	-
	209,942	**(64,128)**	**145,814**	**189,541**	**(25,509)**	**164,032**	**20,401**	**(38,620)**	**(18,219)**
Other income and expenditure not charged to services	(148,162)	(18,116)	(166,278)	(146,389)	(31,951)	(178,340)	(1,773)	13,835	12,062
(Surplus) or Deficit on Provision of Services	**61,780**	**(82,245)**	**(20,465)**	**43,152**	**(57,460)**	**(14,308)**	**18,628**	**(24,785)**	**(6,157)**
Opening Balance of General Fund/ HRA Balances			(156,472)			(111,019)			(45,453)
add: (Surplus) or Deficit on Provision of Services			(20,465)			(14,308)			(6,157)
Closing Balance of General Fund/ HRA Balances			(176,937)			(125,327)			(51,610)

* The format of the 2017/18 table was amended from the 2017/18 audited accounts to follow the recommended layout in the CIPFA Code of Practice.

The Cost of Service per the Comprehensive Income and Expenditure Statement is substantially similar to the position as reported to decision makers (per the management accounts as summarised in Narrative Report, page 16). This is because the Council's management accounts include technical items such as capital charges and pension adjustments where these are chargeable to services. The differences which do arise are attributable to items which are included within the departmental analysis in the Council's management accounts but are reported below the cost of services line in the statements of accounts. These items primarily consist of financing income and expenditure, levies, and a small number of technical accounting entries.

1a. Note to the Expenditure and Funding Analysis

The note below refers to the Expenditure and Funding Analysis statement and explains the adjustments between the Comprehensive Income and Expenditure Statement and net expenditure chargeable to General Fund and HRA balances for the following:

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

1a. Note to the Expenditure and Funding Analysis (cont'd)

Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement Amounts

	2018/19				2017/18			
	Adjustments for Capital Purposes	**Net Change for Pension Adjustments**	**Other Differences**	**Total Adjustments**	**Adjustments for Capital Purposes**	**Net Change for Pension Adjustments**	**Other Differences**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Children's Services	(11,849)	(2,405)	-	**(14,254)**	(2,873)	(3,380)	-	**(6,253)**
Social Care	(1,032)	(437)	272	**(1,197)**	(790)	(681)	239	**(1,232)**
Growth & Place	(701)	(380)	-	**(1,081)**	(724)	(490)	-	**(1,214)**
Local Authority Housing (HRA)	(17,633)	(1,846)	-	**(19,479)**	(37,942)	(678)	-	**(38,620)**
Residents' Services (including Parking)	(13,981)	(1,183)	109	**(15,055)**	(13,861)	(1,582)	110	**(15,333)**
Public Service Reform	(441)	(207)	-	**(648)**	(48)	(210)	-	**(258)**
Finance & Governance	(5,764)	(541)	-	**(6,305)**	(1,436)	(4,031)	-	**(5,467)**
Corporate Services	-	(176)	-	**(176)**	-	(183)	-	**(183)**
Centrally Managed Budgets	1,490	1,471	282	**3,243**	(201)	4,047	586	**4,432**
Net Cost of Services	**(49,911)**	**(5,704)**	**663**	**(54,952)**	**(57,875)**	**(7,188)**	**935**	**(64,128)**
Other income and expenditure not charged to services - General Fund	(8,987)	(14,739)	10,062	**(13,664)**	(2,062)	(16,594)	(13,295)	**(31,951)**
Other income and expenditure not charged to services - HRA	3,336	-	6,854	**10,190**	15,570	(1,670)	(65)	**13,835**
(Surplus) or Deficit on Provision of Services	**(55,562)**	**(20,443)**	**17,579**	**(58,426)**	**(44,367)**	**(25,452)**	**(12,425)**	**(82,245)**

2. Expenditure and Income Analysed by Nature

This Note analyses the nature of the council's expenditure and income. The totals for income and expenditure vary from the totals for gross expenditure and income on the CIES, due to the treatment of internal recharges, and from showing NDR income and gains/losses on disposals as net figures in this note.

	2018/19 £000	2017/18 £000
Expenditure		
Employee Benefits	183,868	177,266
Other Services Expenses	449,481	434,978
Support Service Recharges	(558)	(738)
Capital Charges	69,906	93,973
Interest Payments	11,653	11,987
Levies	2,648	2,791
Business rates tariff	77,454	18,059
Payments to the Government Housing Capital Receipts Pool	16,242	2,664
Net interest on the net defined benefit liability (asset)	16,198	18,264
Total Expenditure	**826,892**	**759,244**
Income		
Fees, Charges and other Service Income	(234,125)	(240,332)
Grants and Contributions	(275,386)	(323,631)
Income from Council Tax and NDR	(220,879)	(125,115)
Interest and Investment Income	(1,952)	(1,060)
(Gains)/losses on the disposal of non-current assets	(4,615)	(7,326)
Total Income	**(736,957)**	**(697,464)**
(Suplus) or Deficit on the Provision of Services	**89,935**	**61,780**

3a. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balances - The General Fund includes any surplus after meeting net expenditure on Council Services.

School Balances - This balance is comprised of unspent balances of schools and other educational establishments at the year end, which may be applied in the following year. The balances can only be used by the schools or establishments and are not available to the Council for general use.

Earmarked Reserves – these are amounts set aside for specific purposes see Note 4 for a description of each Earmarked Reserve.

Capital Grants Unapplied - These are capital grants with no payback conditions and have had no associated expenditure in 2018/19 or prior years.

Housing Revenue Account - This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.

Major Repairs Reserve - The Major Repairs Reserve is available for financing major repairs to the Council's housing stock.

Capital Receipts Reserve - This reserve relates to the capital receipts from the sale of assets, such as Right-To-Buy properties and other general receipts.

Capital Reserves - This is to hold retained capital receipts from the sale of assets.

3a. Adjustments between Accounting Basis and Funding Basis under Regulations

2018/19	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000
Adjustments to the Revenue Resources									
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:									
Pensions costs (transferred to (or from) the Pensions Reserve)	(18,596)	-	-	-	(1,846)	-	-	-	(20,442)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	74	-	-	-	-	-	-	-	74
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	14,879	-	-	-	-	-	-	-	14,879
Holiday pay (transferred to the Accumulated Absences Reserve)	145	-	-	-	-	-	-	-	145
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(38,895)	-	-	-	(40,106)	(254)	-	-	(79,255)
Total Adjustments to Revenue Resources	(42,393)	-	-	-	(41,952)	(254)	-	-	(84,599)
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5,033	-	-	-	8,804	-	(13,837)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(11)	-	-	-	(130)	-	141	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(16,242)	-	-	-	-	-	16,242	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	15,850	(15,850)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	909	-	-	-	-	-	-	-	909
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	879	-	-	-	1,090	-	-	-	1,969
Total Adjustments between Revenue and Capital Resources	(9,432)	-	-	-	25,614	(15,850)	2,546	-	2,878
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	(3,540)	-	-	(3,313)	6,853	-	9,798	-	9,798
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	8,172	-	-	8,172
Application of capital grants to finance capital expenditure	8,137	-	-	5,802	196	-	-	-	14,135
Movements in the market value of investment properties	(1,909)	-	-	-	-	-	-	-	(1,909)
Total Adjustments to Capital Resources	2,688	-	-	2,489	7,049	8,172	9,798	-	30,196
Total Adjustments	(49,137)	-	-	2,489	(9,289)	(7,932)	12,344	-	(51,525)

3a. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

2017/18	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000
Adjustments to the Revenue Resources									
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:									
Pensions costs (transferred to (or from) the Pensions Reserve)	(23,103)	-	-	-	(2,349)	-	-	-	(25,452)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	111	-	-	-	(38)	-	-	-	73
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(10,674)	-	-	-	-	-	-	-	(10,674)
Holiday pay (transferred to the Accumulated Absences Reserve)	424	-	-	-	-	-	-	-	424
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(47,026)	-	-	-	(58,318)	(232)	-	-	(105,576)
Total Adjustments to Revenue Resources	(80,268)	-	-	-	(60,705)	(232)	-	-	(141,205)
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7,000	-	-	-	12,839	-	(19,839)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	(121)	-	121	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,664)	-	-	-	-	-	2,664	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	16,261	(16,261)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	605	-	-	-	-	-	-	-	605
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,719	-	-	-	37	-	-	-	1,756
Total Adjustments between Revenue and Capital Resources	6,660	-	-	-	29,016	(16,261)	(17,054)	-	2,361
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	868	-	-	(3,517)	2,649	-	22,345	-	22,345
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	16,261	-	-	16,261
Application of capital grants to finance capital expenditure	15,689	-	-	6,702	4,254	-	-	-	26,645
Movements in the market value of investment properties	(408)	-	-	-	-	-	-	-	(408)
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	226	-	226
Total Adjustments to Capital Resources	16,149	-	-	3,185	6,903	16,261	22,571	-	65,069
Total Adjustments	(57,459)	-	-	3,185	(24,786)	(232)	5,517	-	(73,775)

3b. Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement.

3c Unusable Reserves

	31 March 2019 £000	31 March 2018 £000
Revaluation Reserve	(234,695)	(256,451)
Capital Adjustment Account	(1,283,599)	(1,322,825)
Deferred Capital Receipts Reserve	-	-
Pensions Reserve	623,676	648,921
Financial Instruments Adjustment Account	1,052	1,126
Available for Sale Financial Instruments Reserve	-	5
Collection Fund Adjustment Account	(11,691)	3,188
Accumulated Absences Account	3,031	3,176
Total Unusable Reserves	**(902,226)**	**(922,860)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2018/19 £000	2017/18 £000
Balance as 1 April	(256,451)	(206,286)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	14,801	(54,213)
Difference between current value depreciation and historical cost depreciation	2,620	2,183
Accumulated gains on assets sold or scrapped	4,335	1,865
Amount written off to the Capital Adjustment Account	6,955	4,048
Balance at 31 March	**(234,695)**	**(256,451)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2018/19 £000	2017/18 £000
Balance as 1 April	(1,322,825)	(1,356,870)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation non-current assets	19,264	19,667
• Revaluation losses on property, plant and equipment	29,684	38,044
• Amortisation of intangible assets	181	195
• Revenue expenditure funded from capital under statute	4,927	19,806
• Reversal of Major Repairs Allowance credited to the HRA	15,850	16,261
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,349	11,602
	79,255	105,575
Adjusting amounts written out of the Revaluation Reserve	(6,955)	(4,048)
Net written out amount of the cost of non-current assets consumed in the year	72,300	101,527
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	(9,798)	(22,345)
• Use of the Major Repairs Reserve to finance new capital expenditure	(8,172)	(16,261)
• Capital grants and contributions applied	(14,135)	(26,644)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(909)	(605)
• Capital expenditure charged against the General Fund and HRA balances	(1,969)	(1,755)
	(34,983)	(67,610)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	1,909	408
Release of deferred costs from Capital Adjustment Account to Capital Receipts Reserve upon receipt of cash	-	(280)
Balance at 31 March	**(1,283,599)**	**(1,322,825)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2018/19 £000	2017/18 £000
Balance as 1 April	-	(52)
Transfer to the Capital Receipts Reserve upon receipt of cash	-	52
Balance at 31 March	**-**	**-**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19 £000	2017/18 £000
Balance as 1 April	648,921	692,410
Remeasurements of the net defined benefit liability/(asset)	(45,687)	(68,942)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	40,311	44,572
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,869)	(19,119)
Balance as 31 March	**623,676**	**648,921**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2018/19 £000	2017/18 £000
Balance as 1 April	1,126	1,199
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(74)	(73)
Balance as 31 March	**1,052**	**1,126**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
• revalued downwards or impaired and the gains are lost
• disposed of and the gains are realised.

	2018/19 £000	2017/18 £000
Balance as 1 April	5	2,825
Upward / (Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(5)	(2,820)
Balance as 31 March	**-**	**5**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2018/19 £000	2017/18 £000
Balance as 1 April	3,188	(7,486)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(14,879)	10,674
Balance as 31 March	**(11,691)**	**3,188**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2018/19 £000	2017/18 £000
Balance as 1 April	3,176	3,600
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(145)	(424)
Balance as 31 March	**3,031**	**3,176**

4. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19. A number of reserves have been consolidated in 2018/19 and these have been reflected in the table below. In 2019/20, the reserves will be realigned to reflect planned investments.

		Balance at 31 March 2017 £000	**Transfers Out 2017/18 £000**	**Transfers In 2017/18 £000**	**Movement Between Reserves 2017/18 £000**	**Balance at 31 March 2018 £000**	**Transfers Out 2018/19 £000**	**Transfers In 2018/19 £000**	**Movement Between Reserves 2018/19 £000**	**Balance at 31 March 2019 £000**
	General Fund									
1	Insurance Fund	(6,342)	665	(635)	-	**(6,312)**	-	-	-	**(6,312)**
2	Controlled Parking Fund	(1,054)	228	(520)	-	**(1,346)**	643	(521)	-	**(1,224)**
3	Computer Replacement Fund	(1,182)	-	-	1,182	**-**	-	-	-	**-**
4	IT Infrastructure	(2,388)	-	(800)	3,188	**-**	-	-	-	**-**
5	Efficiency Projects Reserve	(15,749)	-	(3,783)	1,897	**(17,635)**	3,935	(2,646)	13,616	**(2,730)**
6	Corporate Demand Pressures	(7,531)	570	-	(4,483)	**(11,444)**	905	-	7,738	**(2,801)**
7	Dilapidations/Office Moves	(3,327)	552	(138)	2,913	**-**	-	-	-	**-**
8	Housing Benefit	(2,248)	-	-	2,248	**-**	-	-	-	**-**
9	LPFA Sub Fund	(1,272)	-	(128)	-	**(1,400)**	158	-	-	**(1,242)**
10	Temporary Accommodation	(3,506)	582	(286)	-	**(3,210)**	600	-	-	**(2,610)**
11	ASC Pressures & Demands	(1,878)	-	-	-	**(1,878)**	-	-	-	**(1,878)**
12	Human Resources Reserve	(920)	-	-	920	**-**	-	-	-	**-**
13	Capital Reserves	(1,946)	1,009	-	-	**(937)**	671	(1,422)	-	**(1,688)**
14	Supporting People Programme	(1,509)	300	-	-	**(1,209)**	300	-	-	**(909)**
15	MTFS Delivery Risk	(5,625)	-	-	5,470	**(155)**	106	-	(796)	**(845)**
16	VAT Reserve	(2,500)	-	-	2,500	**-**	-	-	-	**-**
17	Business Board Reserve	(1,080)	-	-	1,080	**-**	-	-	-	**-**
18	TFM Reserve	(853)	500	(1,154)	-	**(1,507)**	642	(1,500)	-	**(2,365)**
19	3SIF Grant Reserve	(1,008)	280	-	8	**(720)**	292	-	-	**(428)**
20	Troubled Families	(817)	-	(258)	-	**(1,075)**	138	-	-	**(937)**
21	NDR Deficit Support	(3,208)	-	(5,256)	3,209	**(5,255)**	10,397	-	(5,142)	**-**
22	Stock Options Appraisal	(1,009)	-	-	1,009	**-**	-	-	-	**-**
23	Partners in Practice	(852)	-	(695)	-	**(1,547)**	420	-	-	**(1,127)**
24	Redundancy Reserves	(3,747)	-	-	3,747	**-**	-	-	-	**-**
25	King Street West	(516)	154	-	(994)	**(1,356)**	2,155	(49)	(2,596)	**(1,846)**
26	Managed Services	(279)	2,714	(3,891)	(7,835)	**(9,291)**	5,230	-	-	**(4,061)**
27	Corporate People Reserve	-	364	-	(4,000)	**(3,636)**	37	(97)	-	**(3,696)**
28	Corporate Technology & IT	-	-	-	(6,950)	**(6,950)**	85	(800)	-	**(7,665)**
29	Corporate Financial Resilience Reserve	-	-	-	(3,000)	**(3,000)**	3,715	(4,106)	-	**(3,391)**
30	Corporate Property Reserve	-	280	-	(4,076)	**(3,796)**	136	-	-	**(3,660)**
31	DSG Reserve	-	-	-	-	**-**	14,166	(550)	(13,616)	**-**
32	Other Funds	(6,234)	404	(859)	1,642	**(5,047)**	2,019	(1,702)	796	**(3,934)**
	General Fund Reserves	**(78,580)**	**8,602**	**(18,403)**	**(325)**	**(88,706)**	**46,750**	**(13,393)**	**-**	**(55,349)**

4. Transfers to/from Earmarked Reserves (cont'd)

		Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Movement Between Reserves 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Movement Between Reserves 2018/19 £000	Balance at 31 March 2019 £000
	General Fund Revenue Grants									
33	S106 - Revenue Schemes	(3,784)	606	(2,158)	-	**(5,336)**	217	(1,683)	-	**(6,802)**
34	Other Revenue Grants	(622)	-	(655)	324	**(953)**	795	-	-	**(158)**
	Revenue Grants Sub-Total	**(4,406)**	**606**	**(2,813)**	**324**	**(6,289)**	**1,012**	**(1,683)**	**-**	**(6,960)**
	General Fund Total	**(82,986)**	**9,210**	**(21,216)**	**-**	**(94,994)**	**47,761**	**(15,076)**	**-**	**(62,309)**
	HRA Reserves									
35	HRA Efficiency Reserve	(500)	-	-	(792)	**(1,292)**	536	(500)	-	**(1,256)**
36	HRA Non-dwellings Impairment Reserve	(7,262)	-	72	-	**(7,190)**	-	(1,795)	-	**(8,985)**
37	HRA Strategic Regeneration and Housing Development	(4,208)	1,197	(3,402)	-	**(6,413)**	1,606	(1,545)	-	**(6,352)**
38	HRA Utilities Reserve	(9,382)	-	(1,368)	-	**(10,750)**	-	(250)	-	**(11,000)**
39	Welfare Reform Reserve	(1,500)	-	-	-	**(1,500)**	-	-	-	**(1,500)**
40	Parking Charges Review Reserve	(606)	-	-	-	**(606)**	500	-	-	**(106)**
41	Fire Safety Plus	-	-	(12,845)	-	**(12,845)**	4,862	(3,990)	-	**(11,973)**
42	Other HRA Funds	(1,867)	125	(118)	792	**(1,068)**	448	(44)	-	**(664)**
	HRA Sub-Total	**(25,325)**	**1,322**	**(17,661)**	**-**	**(41,664)**	**7,952**	**(8,124)**	**-**	**(41,836)**
	Total	**(108,311)**	**10,532**	**(38,879)**	**-**	**(136,658)**	**55,713**	**(23,200)**	**-**	**(104,145)**

4. Earmarked Reserves Description

1	Insurance Fund	this was established to underwrite a proportion of the Council's insurable risks.
2	Controlled Parking Fund	the surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund. In the past, this reserve had to be used to meet expenditure on transport and highways related activities.
3	Computer Replacement Fund	this was for the enhancement to the Council's IT systems required to meet existing commitments and future demands now met from the Corporate Technology and IT Reserve.
4	IT Infrastructure	this reserve has been set up for future IT improvement programmes now met from the Corporate Technology and IT Reserve.
5	Efficiency Projects Reserve	this reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.
6	Corporate Demand Pressures	To meet unbudgeted demands and pressures.
7	Dilapidations/Office Moves	this reserve was been set up to fund potential office moves and the repair of office accommodation dilapidations now met from Corporate Property Reserve.
8	Housing Benefit	the completion of the audit of the housing benefit subsidy claim often results in a reduction in subsidy paid for the previous financial year. This reserve was used to meet the cost of any adjustments.
9	LPFA Sub Fund	this reserve has been set aside to cover a potential pensions liability to the London Pension Fund Authority (LPFA).
10	Temporary Accommodation	this reserve has been set up to deal with possible shortfalls arising out of the introduction of a cap on rental income received for temporary accommodation.
11	ASC Pressures & Demands	this reserve is to address non-recurring new financial pressures within Adult Social Care.
12	Human Resources Reserve	this was a reserve to fund any requirements in relation to Human Resources now met by the Corporate People Reserve.
13	Capital Reserves	this is a revenue-backed reserve to support capital expenditure and to provide bridging finance pending receipts of grants, etc.
14	Supporting People Programme	this reserve has been set up to enable the Supporting People programme to be managed over a rolling 3 year cycle in line with the contracts let with service suppliers.
15	MTFS Delivery Risk	this reserve is to mitigate the risks associated with the implementation of new MTFS projects.
16	VAT Reserve	this reserve was to cover costs incurred as a result of VAT related changes.
17	Business Board Reserve	this reserve was to fund projects approved by the then HF Business Board.
18	TFM Reserve	this reserve is used to fund additional costs on the TFM contract including changes in the apportionment of costs across the three boroughs. The reserve also represents elective variable works, removals costs and ad hoc security costs that are not included in the fixed contract price.
19	3SIF Grant Reserve	this reserve is to support the Third Sector Investment Fund medium term allocation plan.
20	Troubled Families	this reserve has been created to carry forward funding that has already been earnt, but not spent, into Year 3 of the project in order to fund the costs associated with running the programme.
21	NDR Deficit Support	this is a reserve to smooth the impact of statutory timing differences between funding and impact business rates deficits.
22	Stock Options Appraisal	this was a reserve to address the potential outcomes of the Stock Options Appraisal.
23	Partners in Practice	this is a reserve for Children's Services social care practice improvement as part of DFE innovation programme.
24	Redundancy Reserves	these reserves were set up to cover any redundancy costs.
25	King Street West	this is held to fund the costs of implementing the King Street West redevelopment.
26	Managed Services	this reserve is used to fund the cost of supporting the Managed Services project and for the implementation of the new Hampshire system.
27	Corporate People Reserve	this is the consolidation of various Human Resource related reserves.
28	Corporate Technology & IT	this reserve is used to finance council IT projects.
29	Corporate Financial Resilience Reserve	this reserve is to cover the costs of providing financial resilience across the Council.
30	Corporate Property Reserve	this is to be used to cover the one-off costs related to LBHF property management.
31	DSG Reserve	*31a. DSG Deficit* this reserve records the cumulative overspend on Dedicated Schools Grant (DSG) due to the significant pressures and shortfall of funding on the High Needs Block. This reserve reflects the expectation by the Education and Skills funding Agency

		that DSG funding is ringfenced and that deficit recovery plans should be put in place to ensure spending is contained within the resources available. *31b. DSG Reserve – Deficit Set-Aside* this reserve offsets the DSG Reserve – Deficit to ensure that the expenditure incurred to date can be fully funded in light of continuing pressures and in the event that the deficit recovery plan is unable to recover the current cumulative position. Overall the DSG reserve (deficit and deficit set-aside) is nil as the cumulative deficit is matched by reserves.
32	Other Funds	this comprises a number of smaller reserves, generally not exceeding £500,000.
33	S106 - Revenue Schemes	these reserves exist to fund various projects and potential future commitments.
34	Other Revenue Grants	these are grants which have been transferred as an earmarked reserve due to the implementation of International Financial Reporting Standards (IFRS).
35	HRA Efficiency Reserve	this reserve is to provide funding for the one-off costs associated with implementing MTFS savings.
36	HRA Non-Dwellings Impairment Reserve	this reserve is to smooth the future impact of non-dwellings impairments on the HRA following the introduction of HRA self-financing.
37	HRA Strategic Regeneration and Housing Development	this reserve is to provide for the risk associated the council's strategy and regeneration and housing development initiatives.
38	HRA Utilities Reserve	this reserve is to cover the potential impact of applying OFWAT "Water resale order" under which water charges to tenants must be set to equal expenditure incurred by LBHF on a property by property basis.
39	Welfare Reform Reserve	this is a reserve to provide for the further and continuing impact of Welfare Reform.
40	Parking Charges Review Reserve	this reserve is to cover the potential need to refund parking charges on HRA properties.
41	Fire Safety Plus	this reserve was created for reviewing fire safety across the borough.
42	Other HRA Funds	this reserve is to fund various smaller projects specific to the HRA.

5. Material Items of Income and Expense

Transactions in 2018/19
Revaluations: HRA Dwellings have been revalued downwards in year. The downward revaluation is approximately 1% however the size of the asset base means that this revaluation is a material amount. The gross revaluation decrease, recognised across CIES and Revaluation Reserve is £14.253m.

Similarly, Other Land and Buildings (OLB) have decreased in value in year. This is substantially due to a refinement in the estimation techniques in particular aged and obsolescence factors. The revaluation decrease of OLB recognised across CIES and Revaluation Reserve is £13.290m.

Surplus Assets (SA) in- year revaluation resulted in a decrease of £16.942m, recognised across CIES and Revaluation Reserve, due to changes in planning factors and updated cost requirements which have led to an update in the underlying valuation assumptions.

Transactions in 2017/18
Revaluations: HRA Dwellings have been revalued downwards in year. The downward revaluation is approximately 2% however the size of the asset base means that this revaluation is a material amount. The gross revaluation decrease, recognised across CIES and Revaluation Reserve is £41.550m.

In contrast Other Land and Buildings (OLB) have increased in value in year. This is substantially due to changes in the estimation techniques used to arrive at depreciated replacement cost (DRC) valuations. This includes updated build cost and location factors - as prescribed by the Royal Institute of Chartered Surveyors (RICS) - and a revised approach used by the external valuer to arrive at obsolescence factors and land values. The revaluation increase of OLB recognised across CIES and Revaluation Reserve is £61.896m.

6. Other Operating Expenditure

	2018/19 £000	2017/18 £000
Levies	2,648	2,791
Payments to the Government Housing Capital Receipts Pool	16,242	2,664
(Gains)/losses on the disposal of non-current assets	(4,615)	(7,327)
Other Operating Income and Expenditure	(435)	787
Total	**13,840**	**(1,085)**

7. Financing and Investment Income and Expenditure

	2018/19 £000	2017/18 £000 (Restated)
Interest payable and similar charges	11,653	11,987
Net interest on the net defined benefit liability (asset)	16,198	18,264
Interest receivable and similar income	(2,214)	(1,540)
Income and expenditure in relation to investment properties*	(7,202)	(6,310)
Net (gains)/losses from fair value adjustments on investment properties	114	480
Losses on derecognition of investments	147	-
Total	**18,696**	**22,881**

* The 2017/18 income and expenditure in relation to investment properties was restated from the 2017/18 audited accounts due to review of the accounts and cross referencing to note 10.

8. Taxation and non-specific grant income and expenditure

	2018/19 £000	2017/18 £000
Non-domestic rates income	(162,363)	(64,382)
NDR safety net	-	(5,295)
Business rates tariff	77,454	18,059
Non-domestic rates income and expenditure	**(84,909)**	**(51,618)**
Council Tax Income	(58,516)	(55,438)
Non-ringfenced government grants	(15,074)	(49,534)
Capital grants and contributions	(9,778)	(13,368)
Total	**(168,277)**	**(169,958)**

9. Property, Plant and Equipment

(i) Movements on Balances

Movements in 2018/19	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2018	1,272,098	356,912	218,869	14,242	26,521	34,289	2,007	**1,924,938**	24,792
Additions	19,008	1,820	9,461	2,594	783	16,547	180	**50,393**	-
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,465)	(11,222)	-	-	-	(7,738)	-	**(24,425)**	673
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,619)	(7,156)	-	-	-	(9,261)	-	**(41,036)**	-
Derecognition – disposals	(1,545)	(1,631)	-	-	-	-	-	**(3,176)**	-
Derecognition – other	-	(3,274)	-	-	-	(2,018)	(915)	**(6,207)**	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Investment Properties	-	(289)	-	-	-	-	-	**(289)**	-
Other reclassifications	-	(1,275)	-	-	-	1,275	-	**-**	-
Other movements in cost or valuation	-	-	-	-	-	-	-	**-**	-
At 31 March 2019	**1,259,477**	**333,885**	**228,330**	**16,836**	**27,304**	**33,094**	**1,272**	**1,900,198**	**25,465**
Accumulated Depreciation and Impairment									
At 1 April 2018	-	(756)	(129,773)	(11,460)	(12,537)	-	-	**(154,526)**	-
Depreciation charge	(15,850)	(5,295)	(11,185)	(687)	(2,028)	(68)	-	**(35,113)**	(459)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,479	5,088	-	-	-	57	-	**9,624**	459
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	11,352	-	-	-	-	-	-	**11,352**	-
Derecognition – disposals	19	78	-	-	-	30	-	**127**	-
Derecognition – other	-	-	-	-	-	-	-	**-**	-
Other movements in depreciation and impairment	-	19	-	-	-	(19)	-	**-**	-
At 31 March 2019	**-**	**(866)**	**(140,958)**	**(12,147)**	**(14,565)**	**-**	**-**	**(168,536)**	**-**
Net Book Value									
at 31 March 2019	**1,259,477**	**333,019**	**87,372**	**4,689**	**12,739**	**33,094**	**1,272**	**1,731,662**	**25,465**

9. Property, Plant and Equipment (cont'd)

Movements in 2017/18	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2017	1,304,063	294,427	210,774	13,539	25,744	34,585	3,419	**1,886,551**	18,225
Additions	35,007	6,074	8,095	703	777	2,532	546	**53,734**	-
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(10,754)	57,326	-	-	-	(2,175)	-	**44,397**	6,567
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(46,926)	(202)	-	-	-	(2,137)	-	**(49,265)**	-
Derecognition – disposals	(2,924)	(1,885)	-	-	-	(5,880)	-	**(10,689)**	-
Derecognition – other	(335)	-	-	-	-	-	(253)	**(588)**	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	389	-	**389**	-
Assets reclassified (to)/from Investment Properties	-	409	-	-	-	-	-	**409**	-
Other reclassifications	(6,033)	763	-	-	-	6,975	(1,705)	**-**	-
Other movements in cost or valuation	-	-	-	-	-	-	-	**-**	-
At 31 March 2018	**1,272,098**	**356,912**	**218,869**	**14,242**	**26,521**	**34,289**	**2,007**	**1,924,938**	**24,792**
Accumulated Depreciation and Impairment									
At 1 April 2017	-	(449)	(118,040)	(10,787)	(10,548)	-	-	**(139,824)**	-
Depreciation charge	(16,261)	(5,125)	(11,733)	(673)	(1,989)	(147)	-	**(35,928)**	(343)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,984	4,772	-	-	-	60	-	**9,816**	343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	11,146	-	-	-	-	74	-	**11,220**	-
Derecognition – disposals	41	46	-	-	-	103	-	**190**	-
Derecognition – other	-	-	-	-	-	-	-	**-**	-
Other movements in depreciation and impairment	90	-	-	-	-	(90)	-	**-**	-
At 31 March 2018	**-**	**(756)**	**(129,773)**	**(11,460)**	**(12,537)**	**-**	**-**	**(154,526)**	**-**
Net Book Value									
at 31 March 2018	**1,272,098**	**356,156**	**89,096**	**2,782**	**13,984**	**34,289**	**2,007**	**1,770,412**	**24,792**

9. Property, Plant and Equipment (cont'd)

(ii) Depreciation and Useful life

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings	46 - 53 years
Other Land and Buildings (Building element only - land not depreciated)	38 - 50 years
Infrastructure Assets	3 - 40 years
Vehicles, Plant, Furniture & Equipment	4 - 25 years
Community Assets	5 - 73 years
Surplus Assets (Building element only - land not depreciated)	41 – 46 years

(iii) Effect of Changes in Estimates

The estimation technique used to arrive at Other Land and Buildings valuations has been revised in year. The effect of this change has been set out in note 5.

(iv) Revaluation and Impairments

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued through full inspection at least every four years. The Authority has used the external valuation contractor Wilks Head & Eve to carry out the valuations under instruction from the authority's internal Valuation and Property Services. Rolling programme values are reviewed internally to ensure they are not materially misstated at balance sheet date. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations have an effective date of 31 March 2019.

The significant assumptions applied in estimating the current values are:

- Valuations of owner occupied properties reflect special adaptations or particular suitability of the premises for the existing use, but specifically exclude, so far as possible value attributable to goodwill and alternative uses.
- No allowance has been made for any national or local tax whether existing or which may arise in the future.
- All properties except Housing Dwellings have been valued on an individual basis, thus envisaging that they will be marketed individually or in groups over an appropriate period of time.
- Except where specific information is available, properties have been properly maintained and are in good repair and condition.

	Council Dwellings £000	**Other Land and Buildings £000**	**Infrastructure Assets £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total £000**
Carrying value under Cost Model	1,435,589	233,272	87,372	4,689	12,739	21,174	1,272	**1,796,107**
Carried at Historical Cost	-	-	87,372	4,689	12,739	-	1,272	**106,072**
Valued at current value as at:								
31 March 2019	1,259,477	309,572	-	-	-	33,093	-	**1,602,142**
31 March 2018	-	5,830	-	-	-	-	-	**5,830**
31 March 2017	-	9,836	-	-	-	-	-	**9,836**
31 March 2016	-	7,782	-	-	-	-	-	**7,782**
	1,259,477	**333,020**	**87,372**	**4,689**	**12,739**	**33,093**	**1,272**	**1,731,662**

9. Property, Plant and Equipment (cont'd)

(iv) Revaluation and Impairments continued.

The Council values its dwellings in accordance with the proper practice set out in the Government guidance *"Stock Valuation for Resource Accounting: Guidance for Valuers - 2016"*. Under the requirements of the "beacon system" of valuation and 75 per cent discount applied to the open market valuation of the dwellings using the "Existing Use Valuation - Social Housing" methodology, the Council's capital expenditure on its dwelling stock does not increase the value of the assets on a pound-for-pound basis; at best the value of a dwelling will be increased by only 25 per cent of the capital expenditure incurred upon it.

Desk-top revaluation of housing dwellings stock as at 31 March 2019 was commissioned by the Council and completed by the external valuer Wilks, Head and Eve. A revaluation based on full inspection of housing dwellings stock is scheduled for 2020/21.

Where assets are revalued downwards and revaluation losses are in excess of the available Revaluation Reserve, balances are debited to the Surplus or Deficit on the Provision of Services. A review of property, plant and equipment was carried out for 2018/19 and there were no cases of impairment of assets to report.

Following the 2016 DCLG consultation on a draft Item 8 Credit and Debit Determination to cover the HRA accounting post-transition, CIPFA confirmed in May 2017 that impairment and valuation losses not covered by Revaluation Reserve in relation to **HRA dwellings** - are charged to the HRA Income & Expenditure Statement but will continue to be reversible through a transfer to the Capital Adjustment Account (CAA) via the Movement in Reserves Statement (MIRS).Valuation gains in relation to HRA dwellings, where taken to the HRA income and expenditure statement, can also be reversed under the Determination, by a transfer to the CAA via the movement in reserves statement. The previous Determination was silent on this issue.

Impairment and valuation losses not covered by revaluation reserve in relation to HRA non-dwellings can now be reversed in the same way as losses for dwellings. This is a change, as under transition any such losses for non-dwellings could not be reversed and therefore impacted on the HRA balance in full. This change applies prospectively from 1 April 2017 only. As with dwellings, valuation gains for non-dwellings, where taken to the HRA income and expenditure statement, can also be reversed under the new Determination, again by a transfer to the CAA via the Movement in Reserves statement.

(v) Capital Commitments

The total of capital commitments exceeding £2m at the balance sheet date were as follows:

Service Department	31 March 2019 £000	31 March 2018 £000
Housing Revenue Account	-	8,245
Children's Services	-	1,801
	-	**10,046**

10. Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2018/19 £000	2017/18 £000
Rental income from investment property	(7,869)	(6,425)
Direct operating expenses (including repairs and maintenance) arising from investment properties	667	115
Net (gain)/loss	**(7,202)**	**(6,310)**

(i) Revaluation

In 2018/19 the Council commissioned a full revaluation of its investment properties including an inspection of each property where appropriate as at the balance sheet date of 31st March 2019. The work was undertaken by our independent external valuers - Wilks, Head & Eve, whose staff are qualified surveyors with the Royal Institution of Chartered Surveyors (RICS). The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of RICS.

10. Investment Properties (cont'd)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The following table summarises the movement in the fair value of investment properties over the year:

	31 March 2019 £000	31 March 2018 £000
Balance at start of the year	83,899	81,744
Additions:		
• Subsequent expenditure	182	15
Disposals	-	(471)
Net gains/(losses) from fair value adjustments	(114)	(480)
Transfers:		
• (to)/from Property, Plant and Equipment	289	(409)
• (to)/from Assets Held for Sale	-	3,500
Balance at end of the year	**84,256**	**83,899**

Fair Value Hierarchy
All the Council's investment properties have been assessed as Level 2 on fair value hierarchy for valuation purposes (see Note 38 Accounting Policies for an explanation of the fair value levels).

11. Heritage Assets

(i) Movement on Balances

	Art Collections £000	Books & Printed Materials £000	Ceramics & Glass £000	Other Heritage Assets £000	Total Assets £000
Cost or Valuation					
At 1 April 2018	7,688	131	118	86	8,023
Movement on balance	-	-	-	-	-
At 31 March 2019	**7,688**	**131**	**118**	**86**	**8,023**

There have been no movements on Heritage Assets in 2018/19. Further information concerning heritage assets and their valuation can be found in previous Statement of Accounts as published on the Council's website:
https://www.lbhf.gov.uk/sites/default/files/section_attachments/statement_of_accounts_2011-12.pdf

12. Assets Held for Sale

All Assets Held for Sale have been classified as Current as sales are expected within 12 months from balance sheet date.

	Current Assets	
	31 March 2019 £000	31 March 2018 £000
Balance outstanding at start of year	-	4,435
Additions:		
Assets newly classified as held for sale:		
• Investment Properties	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	(389)
• Investment Properties	-	(3,500)
Assets sold	-	(546)
Balance outstanding at year-end	**-**	**-**

13. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2018/19 £000	2017/18 £000
Opening Capital Financing Requirement	277,707	272,544
Capital Investment		
Property, Plant and Equipment	50,393	53,734
Investment Properties	182	15
Intangible Assets	186	-
Revenue Expenditure Funded from Capital under Statute	4,927	19,806
Sources of Finance		
Capital receipts - used to fund Capital Expenditure	(5,700)	(22,345)
Government grants and other contributions	(22,306)	(42,905)
Sums set aside from revenue:	-	-
Direct revenue contributions	(1,969)	(1,755)
MRP/loans fund principal	(915)	(605)
Voluntary Application of Capital Receipts	(4,098)	-
Deferred costs of capital disposals	92	(783)
Closing Capital Financing Requirement	**298,499**	**277,706**
Explanation of movements in year		
Increase in underlying need to borrow	24,861	6,008
(Decrease) in underlying need to borrow	(63)	(63)
Voluntary application of Capital Receipts to repay debt	(4,097)	-
Increase/(Decrease) in Deferred costs of capital disposals	92	(783)
Increase/(decrease) in Capital Financing Requirement	**20,793**	**5,162**

14. Leases (Finance and Operating)

Council as Lessee

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessee.

Operating Leases

The Council has acquired some office accommodation, hostels, depot facilities and a range of vehicles and office equipment by entering into operating leases.

The future minimum lease payments due under these non-cancellable leases in future years are:

	31 March 2019 £000	31 March 2018 £000
Not later than one year	1,845	1,810
Later than one year and not later than five years	6,620	6,692
Later than five years	11,534	12,645
	19,999	**21,147**

The Council has sub-let some of the accommodation held under these leases. At 31st of March 2019 the minimum income expected to be received under sub-leases was £2,714k.

The expenditure charged to the service revenue accounts during the year in relation to these leases was:

	31 March 2019 £000	31 March 2018 £000
Minimum lease payments	1,807	1,775
Contingent rents	-	-
Sublease payments receivable	(222)	(222)
	1,585	**1,553**

Council as Lessor

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessor.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

• for the provision of community services, such as sports facilities, day centres and community centres

• for economic development purposes providing suitable affordable accommodation for local businesses

• as an investment to make the use of the Council's assets

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2019 £000	31 March 2018 £000
Not later than one year	4,666	4,612
Later than one year and not later than five years	15,763	15,387
Later than five years	15,811	16,481
	36,240	**36,480**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No material contingent rents were receivable by the Council.

15. Private Finance Initiative

2018/19 was the fourteenth year of a 25-year Private Finance Initiative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created three new nursing homes (one of which was completed one year later than the other two). Hammersmith & Fulham Clinical Commissioning Group also share the services provided at these sites through a back-to-back agreement with the Council.

At the end of the contract ownership of the homes reverts to the Council. A Memorandum of Understanding was agreed in 2015-16 to rebase the Unitary Charge and to clarify that payments are adjusted annually for CPI. The Memorandum does not change any other significant aspect of the contract.

Property Plant and Equipment

The assets used to provide services at the residential care and nursing homes and sheltered accommodation are recognised on the Council’s Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

Payments

The Council makes an agreed payment each year (Unitary Charge) which is adjusted each year by inflation, and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The annual Unitary Charge has been split into service charge, liability and interest.

Payments remaining to be made under the PFI contract at 31 March 2019 (excluding the effect of changes in market conditions and availability/performance deductions) are as follows:

	Payment for Services £000	Liability £000	Interest £000	Total £000
Payable in 2019/20	5,614	309	1,107	7,030
Payable within two to five years	24,393	1,725	3,940	30,058
Payable within six to ten years	35,251	3,934	3,147	42,332
Payable within eleven to fifteen years	10,575	1,693	348	12,616
	75,833	**7,661**	**8,542**	**92,036**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2018/19 £000	2017/18 £000
Balance outstanding at start of year	7,933	8,173
Payments during the year	(272)	(240)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	**7,661**	**7,933**

16. Debtors

	31 March 2019 £000	31 March 2018 £000
Council Tax Receivable from Taxpayers	9,522	9,152
Non Domestic Rates Receivable from Taxpayers	17,053	6,484
Business Rates Supplement Debtor	415	837
Trade Debtors	31,314	28,407
Other Debtors	42,986	45,547
Prepayments and Accrued Income	22,589	14,897
Impairment Allowance for Doubtful Debts	(58,580)	(49,269)
Total	**65,299**	**56,055**

The debtors note was restated from the 2017/18 audited accounts due to changes in the 2018/19 CIPFA Code of Practice.

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2019 £000	31 March 2018 £000
Cash held by the Council	236	306
Bank current accounts	1,156	48
School bank accounts	9,824	12,020
Short-term deposits	58,954	83,875
Total	**70,170**	**96,249**
Bank overdraft*	(3,127)	(13,375)
	(3,127)	**(13,375)**
Net Cash and Cash Equivalents	**67,043**	**82,874**

*The year-end bank overdraft reflects the bank position including all outstanding and unpresented items. LBHF does not operate a physical bank overdraft as part of its cash management policy. This presentation is a technical requirement under IFRS.

18. Creditors

	31 March 2019 £000	31 March 2018 £000
Council Tax Creditor	(3,757)	(3,767)
NDR Retained Income Creditor	(37,084)	(23,259)
Business Rate Supplement Creditor	(31)	-
NDR Taxpayers Receipts not yet Paid to Government	(56)	(56)
Council Tax Refundable to Taxpayers	(9,504)	(8,976)
Non Domestic Rates Refundable to Taxpayers	(15,053)	(9,819)
Other Tax and Social Security Payable	(1,954)	(187)
Trade Creditors	(2,214)	(8,528)
Other Creditors	(131,213)	(117,203)
Short Term PFI Lease Liability	(309)	(272)
Short Term Finance Lease Lease Liability	(105)	(100)
Total	**(201,280)**	**(172,167)**

The creditors note was restated from the 2017/18 audited accounts due to changes in the 2018/19 CIPFA Code of Practice.

19. Other Long Term Liabilities

	31 March 2019 £000	31 March 2018 £000
Net Pensions Liability	(623,676)	(648,921)
Finance Lease Liability	(20)	(124)
Private Finance Initiative (PFI) Liability	(7,352)	(7,661)
TOTAL	**(631,048)**	**(656,706)**

20. Provisions

	Insurance	NDR - Losses on Appeals	Other Provisions	Total
	£000	£000	£000	£000
Balance at 1 April 2017	**(2,656)**	**(4,717)**	**(747)**	**(8,120)**
Additional provisions	-	(12,259)	(226)	**(12,485)**
Amounts used	-	9,892	-	**9,892**
Unused amounts reversed	626	-	9	**635**
Balance at 31 March 2018	**(2,030)**	**(7,084)**	**(964)**	**(10,078)**
Additional provisions	-	(23,258)	(2,163)	**(25,421)**
Amounts used	256	6,833	138	**7,227**
Unused amounts reversed	-	-	-	**-**
Balance at 31 March 2019	**(1,774)**	**(23,509)**	**(2,989)**	**(28,272)**
Of which:				
Next twelve months	(1,774)	(23,509)	(2,548)	**(27,831)**
Over twelve months	-	-	(441)	**(441)**
Balance at 31 March 2019	**(1,774)**	**(23,509)**	**(2,989)**	**(28,272)**

Following the introduction of the new Business Rates Retention Scheme by Central Government on 1 April 2013, the Council must account for its share of Non-Domestic Rates assets and liabilities. As a result of this, the Council has been exposed to a significant number of outstanding ratings appeals, the estimated liability for this has been included in the table above.

The Council's insurance provision (held for known future insurance claims resulting from the Council's self-insurance of liability risks and fire damage) received a full actuarial assessment of the Insurance Fund position as at 31 March 2017. The most recent actuarial review was undertaken in 2017/18. The provision is based upon updated professional estimates of continuing open claims identified in that year's assessment. It also reflects claims they have currently received for which they expect payment in the next 12 months.

During 1992/93, the then Council's insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council is a member of a scheme of arrangement that has been put into place to try to ensure an orderly settlement of the run-off of MMI. The scheme of arrangement was triggered in 2012/13 and the Council was required to pay a levy of £426k in 2013/14, for which a provision was made in 2012/13 accounts; representing 15% of claims payments made to date. MMI in setting this 15% levy chose a mid-point based upon on actuarial analysis of potential future losses with the aim of ensuring a solvent run off of current losses and those yet to emerge. This means the Council will be required to fund 25% of all payments for any newly reported losses during the period of MMI policy coverage prior to 1993. The Council has sufficient funds in its Insurance reserve to cover this exposure.

Other provisions include amounts to cover HRA disputed invoices and disrepair cases, capital repairs and maintenance works, and smaller provisions.

21. Financial Instruments

(i) Financial Instruments - Balances

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Financial Assets:				
Available for sale financial assets				
Investments	-	-	-	30,156
Financial assets at amortised cost				
Investments	7,211	17,695	260,982	208,273
Cash and Cash Equivalents	-	-	58,954	83,875
Long Term Debtors	1,330	1,330	-	-
Trade Debtors	-	-	31,314	28,407
Total	**8,541**	**19,025**	**351,250**	**350,711**
Financial Liabilities : Measured at amortised cost				
Borrowings	(203,406)	(213,101)	(12,096)	(7,040)
Long Term Creditors	(100)	(100)	-	-
Trade Creditors	-	-	(2,214)	(8,528)
Total	**(203,506)**	**(213,201)**	**(14,310)**	**(15,568)**
Other Liabilities:				
PFI & Finance Lease liabilities	**(7,372)**	**(7,785)**	**(414)**	**(372)**

Note 1 – To meet new code requirements the Council's investments are now classified as amortised cost. Financial assets are held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The Council does not currently hold assets that would be classified as Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit and Loss (FVTPL).

The amounts for trade debtors and creditors are the values identified in Notes 16 and 18 to the accounts gross of any impairment allowance for doubtful debts, see paragraph on Credit Risk below, but excluding outstanding balances to/from Government Departments, debts arising from taxation demands and monies received or paid in advance. Further analysis of PFI and Finance Lease liabilities is given in Notes 14 and 15.

21. Financial Instruments (cont'd)

(iii) Income, Expense, Gains and Losses

	2018/19				2017/18			
	Financial Liabilities at amortised cost £000	Financial Assets as amortised costs £000	Financial Assets: Available for Sale Assets £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets as amortised costs £000	Financial Assets: Available for Sale Assets £000	Total £000
Interest expense	11,653	-	-	11,653	11,987	-	-	11,987
Losses on derecognition	-	-	147	147	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	**11,653**	**-**	**147**	**11,800**	**11,987**	**-**	**-**	**11,987**
Interest income	-	(2,213)	-	(2,213)	-	(1,028)	(512)	(1,540)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(2,213)**	**-**	**(2,213)**	**-**	**(1,028)**	**(512)**	**(1,540)**
Net gain/(loss) for the year	**11,653**	**(2,213)**	**147**	**9,587**	**11,987**	**(1,028)**	**(512)**	**10,447**

21. Financial Instruments (cont'd)

(iv) Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term investments are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Public Works Loan Board (PWLB) loans have been valued using the standard new loan rates published by the Debt Management Office (DMO) on 31 March 2019.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade debtors and creditors are taken to be the invoiced amounts.
- The fair value of cash, overdrafts and other cash equivalents is taken to be the carrying value.

£0.1m of the long term investment at 31 March 2019 (£0.1m at 31 March 2018) shown in section (i) relates to the Council's investment in the GLE Group matched by the long term creditor of the same amount. Again as any difference in values would be insignificant the fair value is taken to be the carrying value for both the investment and the liability.

The fair values calculated for the remaining instruments which consist of the Council's borrowings and investments (excluding any Cash or Cash Equivalents) are as follows:

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities				
Borrowings				
PWLB Debt	(215,502)	(289,376)	(217,405)	(290,629)
Total	**(215,502)**	**(289,376)**	**(217,405)**	**(290,629)**
Financial Assets				
Loans and receivables				
Money market loans less than one year	260,998	260,998	208,273	208,273
Money market loans greater than one year	7,000	7,037	17,500	17,500
Available for Sale less than one year	-	-	30,156	30,156
Available for Sale greater than one year	-	-	-	-
Total	**267,998**	**268,035**	**255,929**	**255,929**

The fair value for financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans. The calculation above uses the PWLB certainty rate as the discount factor, if the premature repayment rate were to be used the fair value would be **£332.351m** as at 31 March 2019 (£334.197m at 31 March 2018).

The fair value for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB standard new loan rates at each Balance Sheet date. They include accrued interest.

At 31 March 2019, all money market loans and receivables are repayable within two years. Therefore, the carrying amount is assumed to be approximate fair value; the figure for both years includes accrued interest. The prevailing comparator market rates have been taken from indicative investment rates at the Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is not likely to be material.

21. Financial Instruments (cont'd)

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks as follows:

- **credit risk** - the possibility that other parties might fail to pay amounts due to the Council
- **liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments
- **re-financing risk** - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with CIPFA's Prudential Code and Code of Practice on Treasury Management in the Public Services together with investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice on Treasury Management in the Public Services;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's:
  - overall borrowing;
  - maximum and minimum exposures to fixed and variable rates;
  - maximum and minimum exposures for the maturity structure of its debt;
  - maximum annual exposures to investments maturing beyond a year; and
- by approving an investment strategy for the forthcoming year that sets criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's Council Tax is set and Revenue Budget approved. These items are reported within the Annual Treasury Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

These policies are implemented by the treasury team. The Council maintains written principles for overall risk management and written policies (Treasury Management Practices – TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. Additional selection criteria are also applied following the application of the initial credit criteria.

The Council's maximum exposure to credit risk in relation to its investments in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to outstanding deposits or non investment activity related financial instrument.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures set out above and through cash flow management procedures required by the Code of Practice on Treasury Management in the Public Services. This seeks to ensure that cash is available when needed.

21. Financial Instruments (cont'd)

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow needs, while the PWLB provides access to longer term funds, it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Exposure to customers is assessed by reference to past experience, age of debt, and stage of recovery process. Details of these debts are reported in **Note 16**. The sums shown are net of a prudent allowance for their impairment amounting to **£3.83 million** at 31 March 2019 (£3.23 million at 31 March 2018). The council does not normally allow credit for its customers.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2019 £000	31 March 2018 £000
Less than one month	29,895	13,761
One to three months	152	3,460
Three months to one year	637	4,362
More than one year	630	6,824
	31,314	**28,407**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. While the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The Council's treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

• monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
• monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of **financial liabilities** is as follows:

	31 March 2019 £000	31 March 2018 £000
Less than one year	(9,699)	(7,040)
Between one and two years	(11,410)	(9,699)
Between two and five years	(4,279)	(11,410)
Between five and ten years	(37,084)	(29,952)
More than ten years	(150,369)	(161,779)
Total	**(212,841)**	**(219,880)**

21 Financial Instruments (cont'd)

The maturity analysis of **financial assets** is as follows:

	31 March 2019 £000	31 March 2018 £000
Less than one year	260,500	238,429
Between one and two years	7,000	17,500
Between two and three years	-	-
More than three years	-	1,525
Total	**267,500**	**257,454**

The above tables exclude trade payables and receivables and cash and cash equivalents all of which are due to be paid/received within one year.

Market risk

Interest Rate Risk: The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument durations. For instance, a rise in variable and fixed interest rates would have the following effects:

- *Borrowing at variable rates*: the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- *Borrowing at fixed rates*: the fair value of the borrowing liability will fall (no impact on revenue balances)
- *Investments at variable rates*: the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- *Investments at fixed rates*: the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments is posted to the Surplus or Deficit on the Provision of Services and affects the General Fund balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Strategy draws together the Council’s prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The Strategy sets a treasury indicator that provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposure appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

Price risk: the Council, excluding the Pension Fund, does not generally invest in equities or marketable bonds.

Foreign exchange risk: the Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movement in exchange rates.

22a. Cash Flow Statement - Net Cash Flow from Operating Activities

	2018/19 £000	2017/18 £000
Adjustment for items included elsewhere in the Cash Flow Statement:		
Capital Grants	(13,668)	(33,321)
Adjustment for 'non-cash' items included in the Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	35,295	36,123
Impairments and revaluations	29,798	38,524
Value of non-current assets derecognised on disposal	9,255	11,560
Value of 'Assets Held for Sale' derecognised on disposal	-	546
Assets transferred to/(from) Assets Held for Sale	-	(3,889)
Net adjustment made in respect of IAS 19 (Pensions)	20,442	25,452
Revaluations of Available for Sale Financial Assets	5	2,820
Amortisation of Premia and Discounts	4	4
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors*	(9,272)	(2,986)
add/less: (Increase)/decrease in Capital Debtors	(65)	(481)
(Increase)/decrease in Long-term Debtors	-	54
Increase/(decrease) in short-term Creditors*	42,840	17,767
add/less: Increase/(decrease) in Capital Creditors	(805)	(2,321)
Assets transferred to 'Assets Held for Sale'	-	3,889
(Increase)/decrease in Inventories	(18)	(1)
Increase/(decrease) in Provisions	18,194	1,958
Increase/(decrease) in Grants and Contributions Receipts in Advance	9,146	6,055
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**141,151**	**101,753**

*Excluding movements in the Collection Fund Debtors/Creditors with precepting authorities and the short-term element of Finance Leases and PFI's which are included on the face of the cashflow statement.

22b. Cash Flow Statement - Operating Activities

The cash inflows/(outflows) for operating activities include the following:

	2018/19 £000	2017/18 £000
Interest Received	1,970	1,420
Interest Paid	(11,705)	(10,918)

22c. Reconciliation of Liabilities Arising from Financing Activities

2018/19	Opening Balance	Cash (Inflow)/ Outflow	Transfers between ST and LT	Other Non-Cash changes	Closing Balance
	£000	£000	£000	£000	£000
Long-Term Borrowing	(213,101)	-	9,699	(4)	**(203,406)**
Short-Term Borrowing	(7,040)	4,564	(9,699)	79	**(12,096)**
Lease Liabilities	(225)	100	-	-	**(125)**
PFI	(7,932)	272	-	-	**(7,660)**
Total	**(228,298)**	**4,936**	**-**	**75**	**(223,287)**

23. Agency Services

The Council acts as agent under agreements with various bodies and receives financial reimbursement for the costs of such services from the bodies concerned. In some cases the council makes a small surplus or deficit on these agreements through commission or reimbursement of costs. These surpluses or deficits are included within the relative service lines in the CIES. Bodies with whom we have these agency agreements include Thames Water, Transport for London, West London Housing and Business Improvement districts.

24. Members' Allowances

The Council paid the following amounts to members of the council during the year.

	2018/19	2017/18
	£000	£000
Members' Allowances	820	775

25. Officers' Remuneration

This note shows the remuneration as paid through the Council's payroll to the Council's Chief Executive, Statutory Chief Officers, members of the Strategic Leadership Team (i.e. those reporting to the Chief Executive) and employees with salaries over £150,000.

Role	In Post	Notes	FY	Salary, Fees and Allowances	Bonuses*	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
				£	£	£	£	£	£
Chief Executive	Kim Smith		**2018/19**	**179,000**	**8,950**	**-**	**-**	**28,756**	**216,706**
			2017/18	179,000	-	-	-	27,387	206,387
Lead Director Regeneration, Planning & Housing	Joanne Rowlands		**2018/19**	**154,000**	**7,700**	**-**	**-**	**24,740**	**186,440**
			2017/18	129,820	-	-	-	19,862	149,682
Director of Adult Social Care	Lisa Redfern	1	**2018/19**	**142,007**	**7,100**	**1,240**	**-**	**22,813**	**173,160**
			2017/18	80,679	-	-	-	12,344	93,023
Director of Public Service Reform	Rachael Wright-Turner	1	**2018/19**	**42,578**	**-**	**-**	**-**	**6,375**	**48,953**
			2017/18	48,683	-	-	-	7,449	56,132
Shared Services Executive Director of Adult Social Care for LBHF, RBKC and WCC	Sue Redmond	2	**2018/19**	**-**	**-**	**-**	**-**	**-**	**-**
			2017/18	103,157	-	-	-	14,280	117,437
Strategic Director, Finance and Governance (Section 151 Officer)	Hitesh Jolapara		**2018/19**	**147,000**	**7,350**	**310**	**-**	**23,616**	**178,276**
			2017/18	135,568	-	250	-	20,742	156,560
Commercial Director	Michael Hainge		**2018/19**	**-**	**-**	**-**	**-**	**-**	**-**
			2017/18	107,060	5,353	239	52,654	17,199	182,506
Director of Delivery and Value	Sarah Thomas	3	**2018/19**	**-**	**-**	**-**	**-**	**-**	**-**
			2017/18	96,094	4,969	-	-	15,463	116,526
Director of Resident's Services	Nicholas Austin	4	**2018/19**	**58,094**	**-**	**-**	**42,609**	**8,888**	**109,591**
			2017/18	112,874	-	-	-	17,270	130,144
Director of Corporate Services	Mark Grimley	5	**2018/19**	**127,000**	**-**	**-**	**-**	**19,431**	**146,431**
			2017/18	10,417	-	-	-	1,594	12,010
Director of Human Resources	Debbie Morris	6	**2018/19**	**-**	**-**	**-**	**-**	**-**	**-**
			2017/18	29,005	-	-	-	4,438	33,443
Director of Childrens Services	Stephen Miley	7	**2018/19**	**133,300**	**6,665**	**-**	**-**	**21,415**	**161,380**
			2017/18	120,182	-	-	-	18,388	138,570

2017/18 disclosures have been restated where elements of remuneration relating to that year were finalised in 2018/19.

*The bonuses as disclosed for senior officers eligible under the contractual Performance Related Pay (PRP) scheme for 2018/19 are based on estimates only and will be subject to the completion of the PRP process. This may result in eventual payments being less or greater than those disclosed.

Notes

1	The Director of Adult Social Care post was created during 2017/18 as a result of the decision to exit the Tri-borough arrangement for Adult Social Care. The post was filled from 1 August 2017. The role of Director of Public Service Reform was absorbed under the Director of Social Care, Lisa Redfern, from July 2018. Rachael Wright-Turner left the council in July 2018.
2	This post was deleted on 31 October 2017 due to the decision to exit the Tri-borough arrangement for Adult Social Care. It was replaced by the Director of Adult Social Care - a post solely responsible for LBHF operations.
3	The Director of Delivery and Value was covered on an interim basis between 8 May 2017 to 15 February 2019. The post was deleted after 15 February 2019.
4	Nicholas Austin left the council in September 2018, and the role of Director of Resident's Services was occupied on an interim basis.
5	This post was created as a result of the decision to exit the Bi-borough arrangement for Human Resources. The post was a permanent appointment from 1 March 2018.
6	This post was deleted during 2018/19 as a result of the decision to exit the Bi-borough arrangement for Human Resources. It was replaced by the Director of Corporate Services - a post solely responsible for LBHF operations.
7	This post was created during 2018/19 as a result of the decision to exit The Tri-borough arrangement for Children's Services. It has been filled since 7 August 2017.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts. These numbers do not include senior employees shown in the previous table:

Remuneration Band	2018/19 Number of Employees	2017/18 Number of Employees
£175,000 - £179,999	0	1
£170,000 - £174,999	0	0
£165,000 - £169,999	0	0
£160,000 - £164,999	0	0
£155,000 - £159,999	0	0
£150,000 - £154,999	0	0
£145,000 - £149,999	0	0
£140,000 - £144,999	0	0
£135,000 - £139,999	0	0
£130,000 - £134,999	0	0
£125,000 - £129,999	0	1
£120,000 - £124,999	1	0
£115,000 - £119,999	0	2
£110,000 - £114,999	1	4
£105,000 - £109,999	3	1
£100,000 - £104,999	4	1
£95,000 - £99,999	4	7
£90,000 - £94,999	8	4
£85,000 - £89,999	6	9
£80,000 - £84,999	16	14
£75,000 - £79,999	24	28
£70,000 - £74,999	22	7
£65,000 - £69,999	19	23
£60,000 - £64,999	31	30
£55,000 - £59,999	68	60
£50,000 - £54,999	140	118
Total	**347**	**310**

Of the 347 employees listed above in 2018/19, 102 (29%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2017/18 was 92 (30%).

25. Officers' Remuneration (cont'd)

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band		Total cost of exit packages in each band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000	15	30	-	2	15	32	99,044	288,135
£20,001 - £40,000	3	14	-	-	3	14	85,101	397,142
£40,001 - £60,000	2	3	-	-	2	3	141,502	138,988
£60,001 - £80,000	2	2	-	-	2	2	143,606	126,772
£80,001 - £100,000	2	1	-	-	2	1	188,238	89,779
Over £100,001	-	-	-	-	-	-	-	-
Total	**24**	**50**	**-**	**2**	**24**	**52**	**657,491**	**1,040,816**

This includes exit packages agreed by School Governing Bodies. Exit packages include the accrued cost of added years (the pension strain). These costs are not paid to individuals but reflect the cost to the council of the employee retiring early, without actuarial reduction of their pension.

26. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers’ Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers’ contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council paid £3.74 million to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 16.51% of pensionable pay. The figures for 2017/18 were £3.75 million and 16.48%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers’ scheme. During 2018/19 the costs arising from additional benefits amounted to £320.1k (2017/18: £300.9k).

27. Defined Benefit Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the following post employment schemes:
- The Local Government Pension Scheme administered locally by London Borough of Hammersmith and Fulham (LBHF LGPS).
- The Local Government Pension Scheme administered by London Pensions Fund Authority (LPFA LGPS).

The schemes are funded defined benefit salary schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme to 31 March 2014 provided benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect on 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes took effect.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:
- Investment risk. The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Pension Funds, there is an orphan risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Council e.g. higher than expected investment returns.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments when they eventually fall due.

27. Defined Benefit Schemes (cont'd)

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	LBHF Local Government		LPFA Local Government	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service costs	28,781	30,610	132	151
• past service costs including curtailments	149	1,268	-	-
• (gain)/ loss from settlements	(2,898)	(3,683)	-	-
• administration expenses	278	344	59	59
• unfunded pension payments	(2,355)	(2,355)	(33)	(33)
• employer's pension contributions adjustment	-	(40)	-	(13)
Financing and Investment Income and Expenditure:				
• net interest expense / (income)	16,205	18,217	(7)	47
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**40,160**	**44,361**	**151**	**211**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability				
• Return on plan assets (excluding the amount included in the net interest expense)	(25,165)	3,272	(3,613)	(815)
• Actuarial gains and losses arising on changes in demographic assumptions	(86,281)	-	(1,513)	-
• Actuarial gains and losses arising on changes in financial assumptions	66,335	(69,691)	2,144	(1,708)
• Experience loss/ (gain) on defined benefit obligation		-	-	-
• Other actuarial gains/ (losses)	-	-	-	-
• Impact of asset ceiling	-	-	2,406	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure	**(4,951)**	**(22,058)**	**(425)**	**(2,312)**
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(40,160)	(44,361)	(151)	(211)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	19,866	19,112	3	7

27. Defined Benefit Schemes (cont'd)

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LBHF Local Government		LPFA Local Government	
	2018/19	**2017/18**	**2018/19**	**2017/18**
	£000	**£000**	**£000**	**£000**
Opening balance 1 April	**1,507,470**	**1,544,495**	**45,367**	**47,458**
Current service cost	28,781	30,610	132	151
Interest cost	37,797	41,073	1,128	1,073
Remeasurement (gains) and losses:				
- Change in financial assumptions	66,335	(69,691)	2,144	(1,708)
- Change in demographic assumptions	(86,281)	-	(1,513)	-
- Experience loss/(gain) on defined benefit	-	-	-	-
Liabilities assumed/ (extinguished) on	(6,174)	(6,504)	-	-
Estimated benefits paid net of transfers in	(42,284)	(36,798)	(2,237)	(1,599)
Past service costs, including curtailments	149	1,268	-	-
Contributions by Scheme participants	5,461	5,372	24	25
Unfunded pension payments	(2,355)	(2,355)	(33)	(33)
Closing balance at 31 March	**1,508,899**	**1,507,470**	**45,012**	**45,367**

Reconciliation of fair value of the scheme (plan) assets:

	LBHF Local Government		LPFA Local Government	
	2018/19	**2017/18**	**2018/19**	**2017/18**
	£000	**£000**	**£000**	**£000**
Opening balance 1 April	**858,300**	**854,154**	**45,616**	**45,388**
Interest on assets	21,592	22,856	1,135	1,026
Remeasurement gain/ (loss):				
- Return on assets less interest	25,165	(3,272)	3,613	815
- Other actual gains/ (losses)	-	-	-	-
Administration expenses	(278)	(344)	(59)	(59)
Contributions by employer including unfunded	22,221	21,507	36	53
Contributions by scheme participants	5,461	5,372	24	25
Estimated benefits paid plus unfunded net of	(44,639)	(39,153)	(2,270)	(1,632)
Settlement prices received/ (paid)	(3,276)	(2,820)	-	-
Closing balance at 31 March	**884,546**	**858,300**	**48,095**	**45,616**

Pension Assets and Liabilities Recognised in the Balance Sheet

	31 March 2019 **£000**	**31 March 2018** **£000**
Present Value of Liabilities		
LBHF Local Government Pension Scheme (Funded)	1,476,709	1,472,728
LBHF Local Government Pension Scheme (Unfunded)	32,190	34,742
LPFA Local Government Pension Scheme (Funded)	44,817	45,146
LPFA Local Government Pension Scheme (Unfunded)	195	221
Fair Value of Assets		
LBHF Local Government Pension Scheme	(884,546)	(858,300)
LPFA Local Government Pension Scheme	(48,095)	(45,616)
Impact of Asset Ceiling		
LBHF Local Government Pension Scheme	-	-
LPFA Local Government Pension Scheme	2,406	-
Net liability arising from defined benefit obligation		
LBHF Local Government Pension Scheme	624,353	649,170
LPFA Local Government Pension Scheme	(677)	(249)
Total	**623,676**	**648,921**

27. Defined Benefit Schemes (cont'd)

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total net liability of £623.7m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficits on both local government schemes will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Local Government Pension Scheme Assets

The return on the Funds (on a bid value to bid value basis) for the year 31 March 2019 is estimated to be 6% for LBHF Local Government Pension Scheme and 11% for LPFA Local Government Pension Scheme. The actual return on Fund assets over the year may be different. The asset allocations are set out below:

	LBHF Local Government Pension Scheme			
	31 March 2019		31 March 2018	
	£000	%	£000	%
Equities	446,161	50%	433,176	50%
Cash Plus Funds	168,252	19%	270,964	32%
Cash	92,455	10%	19,614	2%
Property	86,884	10%	50,127	6%
Inflation Opportunity Funds	90,794	10%	84,419	10%
Total	**884,546**	**100%**	**858,300**	**100%**

	LPFA Local Government Pensions Scheme			
	31 March 2019		31 March 2018	
	£000	%	£000	%
Equities	26,165	54%	27,893	61%
Target Return Portfolio	12,826	27%	10,223	22%
Infrastructure	2,898	6%	1,995	4%
Property	4,523	9%	3,283	7%
Cash	1,683	4%	2,222	5%
Total	**48,095**	**100%**	**45,616**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The LBHF Local Government Pension Scheme and LPFA Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

27. Defined Benefit Schemes (cont'd)

The principal assumptions used by the actuary have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2018/19	**2017/18**	**2018/19**	**2017/18**
Mortality Assumptions				
Life expectancy from age 65 - retiring today				
Men	23.4	24.5	19.9	20.9
Women	24.8	26.1	23.0	24.1
Life expectancy from age 65 - retiring in 20 years				
Men	25.0	26.8	21.7	23.2
Women	26.6	28.4	24.7	26.3
Financial Assumptions				
Rate of Inflation - RPI	3.4%	3.3%	3.5%	3.4%
Rate of Inflation - CPI	2.4%	2.3%	2.5%	2.4%
Rate of Increase in Salaries	3.9%	3.8%	4.0%	3.9%
Rate of Increase in Pensions	2.4%	2.3%	2.5%	2.4%
Discount Rate	2.4%	2.6%	2.3%	2.6%

*Pension increases are linked to CPI inflation, therefore the impact analysis is equivalent.

These assumptions are set with reference to market conditions at 31 March 2019.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The projected service costs for 2019/20 are £28.608m (LBHF) and £0.134m (LPFA).

	Impact on the Projected Service Cost of the Scheme			
	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	Increase in Assumption £000	Decrease in Assumption £000	Increase in Assumption £000	Decrease in Assumption £000
Adjustment to:				
Discount Rate (+/- 0.1%)	27,946	29,286	132	136
Long term salary increase (+/- 0.1%)	28,608	28,608	134	134
Pension increases and deferred revaluation* (+/- 0.1%)	29,285	27,946	136	132
Mortality age rating assumption (+/- 1 year)	29,520	27,724	139	130

*Pension increases are linked to CPI inflation, therefore the impact analysis is equivalent.

Impact on the Council's Cash Flows

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by Regulations. The actuarial valuation of the fund was carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a level of funding of 100% using the actuarial valuation assumptions. LBHF have agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 22 year period.

The total contributions expected to be made by the council in the year to 31 March 2020 are £20.223m to the LBHF Local Government Pension Scheme. The LPFA Local Government Pension Scheme was certified to pay a minimum of nil employer pension contributions to the fund due to overpayment in previous years.

The actuary's estimate of the duration of the Employer's liabilities is 19 years for LBHF Local Government Pension Scheme and 13 years for LPFA Local Government Pension Scheme.

28. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2018/19 £000	2017/18 £000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	126	164
Fees payable to External Audit for the certification of grant claims and returns for the year	20	31
Non-Audit Services	-	-
Total	**146**	**195**

29. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the schools budget funded by DSG receivable for 2018/19 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total 2018/19 £000	Total 2017/18 £000
Final DSG for 2018/19 before Academy Recoupment			139,832	138,665
Academy figure recouped for 2018/19			(62,780)	(62,222)
Total DSG after Academy recoupment for 2018/19			77,052	76,443
Plus: Brought forward from 2017/18			(7,033)	(2,165)
Less: Carry-forward to 2018/19 agreed in advance			7,033	2,165
Agreed initial budgeted distribution in 2018/19	8,646	68,406	77,052	76,443
In year adjustments	(452)	-	(452)	(1,676)
Final budgeted distribution for 2018/19	8,194	68,406	76,600	74,767
Less: Actual central expenditure	(8,607)		(8,607)	(7,593)
Less: Actual ISB deployed to schools		(74,577)	(74,577)	(72,041)
Plus Local authority contribution for 2018/19				-
(Drawdown from)/Contribution to DSG Reserve	**(413)**	**(6,172)**	**(6,584)**	**(4,868)**
Early Years Funding Reserve				655
Carry Forward to 2019/20			**(13,616)**	**(7,033)**

The DSG deficit in 2017/18 was accounted as a receipt in advance and in 2018/19 as an earmarked reserve. The transfer was not made as a prior year adjustment as it was immaterial.

The DSG has a cumulative deficit of £13.6 million. The Education and Schools Funding Agency now expect local authorities to prepare deficit recovery plans to recover any cumulative deficits, however the Council has set aside an earmarked reserve equivalent in value to the DSG deficit carried forward. This is shown in note 4.

30. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-	(29,499)
New Homes Bonus	(7,200)	(8,022)
S31 Grant - Business Rates Retention Scheme Relief	(1,068)	(2,493)
Housing Benefit and Council Tax Support Admin Subsidy	(1,459)	(1,433)
Winter Pressures Grant	(918)	-
Section 106 Non-ringfenced	(2,387)	(4,414)
Independent Living Grant	(796)	(822)
Adult Social Care Support Grant	(574)	(922)
Prison Social Care	(210)	(203)
Preventing Homelessness Grant	-	(546)
Education Services	-	(286)
Other Non-ringfenced government grants	(462)	(894)
Capital grants and contributions	(9,778)	(13,368)
Total	**(24,852)**	**(62,902)**

	2018/19 £000	2017/18 £000
Credited to Services		
Housing & Council Tax Benefit Subsidy	(106,301)	(116,510)
Dedicated Schools Grant	(83,184)	(79,634)
Public Health Grant	(22,924)	(23,601)
Improved Better Care Fund	(7,051)	(5,128)
Sixth Form Grant	(5,905)	(6,098)
Pupil Premium Grant	(3,879)	(3,989)
Flexible Homelessness Grant	(3,271)	(3,417)
Adult Learning	(2,846)	(2,488)
Section 106	(2,516)	(5,104)
Transport for London / Surface Transport	(2,183)	(1,022)
PFI Grants	(1,429)	(1,429)
Infant Free School Meals	(999)	(1,037)
Step Up to Social Work Grant	(747)	-
Disabled Facilities Grant	(694)	(897)
Unaccompanied Asylum Seeking Children	(691)	-
Troubled Families	(622)	(774)
Preventing Homelessness Grant	(414)	-
DfE Capital Grants	(384)	(3,419)
Children's Social Care Innovation Grant	(185)	(1,037)
NDR and BRS Cost of Collection Allowance	(595)	(597)
Other grants and contributions	(4,307)	(4,548)
Total	**(251,127)**	**(260,729)**

30. Grant Income (cont'd)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are:

	2018/19 £000	2017/18 £000
Grants and Contributions Receipts in Advance (Current)		
Public Health Grant	(2,025)	(3,185)
Levy Account Surplus Grant	(933)	-
Learning & Skills Council - revenue	(777)	(851)
New Homes Bonus Grant	(475)	(928)
Step Up to Social Work Grant	(330)	(304)
Flexible Homelessness Support Grant	(220)	(110)
Out of School-Settings Project Grant	(146)	-
Supporting Families Against Crime	(144)	-
National Assessment and Accreditation System Grant	(139)	-
Dedicated Schools Grant	-	5,384
Other grants - revenue	(984)	(496)
Total	**(6,173)**	**(490)**

	2018/19 £000	2017/18 £000
Grants and Contributions Receipts in Advance (Non-Current)		
Developer contributions (inc. section 106)	(26,110)	(23,914)
TfL	(2,161)	(2,064)
Social Care Grant	(638)	-
Winterbourne Grant	(300)	(300)
Other capital grants	(964)	(432)
Total	**(30,173)**	**(26,710)**

31. Related Parties

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding.

Grants received from government departments are set out in Note 30.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 24.

Information regarding reportable transactions has been collated by requiring all Members and Chief Officers to declare any related party transactions. A review was also carried out of the Council's Register of Declarations of Interests and of the Register of Pecuniary and Non-Pecuniary Interests of Councillors drawn up from declarations made at Committee and other meetings.

During 2018/19, the Council engaged in various transactions with related parties - per information provided by Councillors and Chief Officers to the value of £1,319k. The most significant transactions are to charitable organisations.

Name of body	2018/19 £000	2017/18 £000
H&F Citizen advice Bureau	663	626
Old Oak Housing Association	249	573
Groundwork London	194	489
H&F Law centre	(12)	-
H&F Volunteer Centre	122	-
Hammesmith & Fulham Community Law centre	102	205
Flame Charity	5	-
Lygon Alm House	(4)	-
Hammersmith United Charities	-	45
Hammersmith and Fulham Association for Mental Health T/a Hammersmith and Fulham Mind	-	19
Hammersmith & Fulham Mencap	-	547
Fulham Palace Trust	-	68
Total	**1,319**	**2,572**

In addition to the above, many Members have relationships or hold positions with other public bodies and voluntary organisations with which the Council does not have a financially material relationship, but with which the Council has a financial or influential relationship. These include the Western Riverside Waste Authority and schools.

Pension Fund

The Council is the administering authority of the Pension Fund. The Council owed the Pension Fund a net amount of £941k at the year end. The Council incurred costs of £89k in relation to administering the fund. A detailed summary of the Pension Fund Accounts is included within this Statement of Accounts in the Supplementary Financial Statements section.

Other Public Bodies

The Council has a pooled budget arrangement with Central London Clinical Commissioning Group for the provision of community equipment. This is now included in Note 32.

Shared Services

The Council is engaged in joint working arrangements with the City of Westminster and the Royal Borough of Kensington and Chelsea in a limited number of areas. The nature of these arrangements does mean that each borough influences the others however, each borough remains sovereign.

32. Better Care Fund Pooled Budget

The Authority has entered into a pooled budget arrangement with The Hammersmith and Fulham Clinical Commissioning Group for the provision of Adult Social Care services to older people, people with physical or learning disabilities, people with mental health problems and services to safeguard adults.

The aim is to meet the needs of people living in the area of the London Borough of Hammersmith & Fulham. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the reablement of residents.

The arrangement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed

The pooled budget includes all income and expenditure relating to the Better Care Fund, whether funded by the local authority or the health service.

It is hosted by the London Borough of Hammersmith and Fulham, however, not all transactions pass through the Borough's accounting system.

The pooled budget for Joint Equipment has now been absorbed within the Better Care Fund.

Since 2017-18, the Better Care Fund has been widened to encompass funding known as the Improved Better Care Fund (IBCF). This funding is received direct from the Department for Communities and Local Government (DCLG). One of its key purposes is to manage the level of delayed transfers of care from acute settings to those in the community.

The following table summarises the position for 2018/19:

	2018/19 £000's	**2017/18 £000's**
Contributions to the Pooled Budget:		
London Borough of Hammersmith & Fulham	(15,514)	(13,294)
Hammersmith and Fulham Clinical Commissioning Group	(32,447)	(31,781)
Total Contributions	**(47,961)**	**(45,075)**
Expenditure Met by the Pooled Budget:		
Costs relating to the reablement of residents	6,863	6,298
Costs relating to supporting residents to remain in their own homes	0	0
Costs relating to care provided in residential settings or in community settings	38,934	36,819
Support Services and programme management relating to the BCF	1,457	1,721
Total Expenditure	**47,254**	**44,838**
Net (surplus)/deficit arising on the pooled budget in the year	(706)	(237)
Net (surplus)/deficit split by:		
Share of the net (surplus)/deficit due to the London Borough of Hammersmith & Fulham (Includes capital resources)	(84)	(10)
Share of the net (surplus)/deficit due to the Hammersmith & Fulham Clinical Commissioning Group	(622)	(227)

33. Interest in Companies

The Council has an involvement with a number of associated companies which are set out below. The assets and liabilities of these companies are not included in the Council's accounts as the materiality of the relationship does not justify such consolidation. Information is provided as to the general purpose of the company, its financial position, and any other material financial issues affecting the Council.

(i) Lyric Theatre Hammersmith Limited

This is a company limited by guarantee and a registered charity. Its main business is the promotion and encouragement of lively arts and theatre management. The Council supplies funding under a funding agreement to enable the company to carry out its charitable objectives. The revenue contributions by the Council were £230k in 2018/19. The latest audited accounts available, those relating to 2017/18, show net assets of £9,979k (£10,190k in 2016/17) and net income/(deficit) on its activities in that year of (£212k) (deficit £132k in 2016/17). The Funding agreement also provides the financial arrangements and responsibilities of the Council and Theatre respectively as a consequence of the Company occupying its premises on the basis of a sub under lease from the Council. Copies of the accounts may be obtained from the Executive Director, Lyric Theatre, King Street, London W6 0QL.

(ii) Urbanwise.London Limited

This charity is a charitable company limited by guarantee and was set up in 1983. Its objectives are the advancement of environmental education at all levels, particularly in the London Borough of Hammersmith and Fulham. The Council is the main source of grant funding for the charity. The contributions by the Council were £12k in 2018/19. The charity's latest audited accounts available, those relating to 2017/18 show net assets worth £68k, (£64k in 2016/17). A net gain of £4k has been reported for 2017/18 (net gain £3k in 2016/17). Copies of the accounts may be obtained from the Company Secretary, Urbanwise.London Ltd, The Lilla Huset, 191 Talgarth Road, London, W6 8BJ.

(iii) Housing Joint Ventures

HFS Developments LLP is a Joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 27 March 2014. The Company is in the process of dissolution as its contractual agreement ended with Stanhope Plc to establish a New Company in its place.

New Company HFS Development 2 LLP is a Joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 19 July 2016. This offers unique opportunities to the public and private sector to work together to deliver appropriate forms of housing. The latest audited accounts available, those relating to 2017/18 show loss for the period amounted to £1,226,136k (loss £390k in 2016/17).

(iv) LBHF Ventures Limited

LBHF Ventures Limited is a company wholly owned by the Council which was incorporated 9 June 2016. The Council invested £95,000, by way of share capital in LBHF Ventures Limited. The latest unaudited accounts available, those relating to 2017/18 show net assets worth £27k (£76k in 2016/17). A net loss for the period reported amounted to (£68k), (loss £19k in 2016/17).

(v) LBHF Joint Ventures Limited

LBHF Joint Ventures Limited is a Limited Company owned 51% of shares by the Council and owned 49% of shares by Intrum Uk Limited, which was incorporated on 9 June 2017.

(vi) LBHF Family Support Services Limited

LBHF Family Support Services Limited is a Limited Company wholly owned by the Council, which was incorporated on 18 August 2017. The latest Accounts available relating to period 18th of August to February 2018, the company received no income and incurred no expenditure therefore made neither profit or loss.

34. Contingent Assets and Contingent Liabilities

Contingent Assets

Discounted Market Sale Units

The Council has historically negotiated various Section 106 agreements which deliver affordable housing. These agreements allow the Council to retain an equity share of 30% or more on properties that are being sold at a discount at various sites in the borough. The total number of such properties currently stands at 524 units with an estimated valuation of £260m. This represents a potential asset to the Council of £143m based on the its equity share, however, this is subject to market fluctuations. The owners of such properties can request to buy the retained equity share from the Council, such a purchase would realise additional capital resources for the Council which can be invested in affordable housing projects, but the level and timing of such resources is uncertain.

Contingent Liabilities

Litigations and claims

The council is involved in a number of litigations and claims that were ongoing as at the 31st March 2019 but their outcome is not yet determined.

	2018/19 £'000 (Est)
Total litigations and claims	**14,200**

The council is involved in a number of claims. These cases remain as Contingent Liabilities. If the council is unsuccessful in these claims, then the council may be liable to pay damages, interest and costs. All the above litigations are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

35. Trust Funds

The Mayor and Burgesses of the Council are the Trustees of the Wormwood Scrubs Charitable Trust. The Trust's objective is to hold Wormwood Scrubs Open Space "upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation" as defined by the Wormwood Scrubs Act of 1879. The table below shows the operating costs and income of the Trust:

	2018/19 £000	2017/18 £000
Balance at 1st April	**(5,515)**	**(5,217)**
Income	(1,060)	(1,072)
Sub total	**(6,575)**	**(6,289)**
Less:		
Expenditure and Transfers	828	774
Balance at 31 March	**(5,747)**	**(5,515)**

36. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Non-current Assets / Investment Properties	Asset valuations are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. However, the valuation of property will inevitably be an estimate and property values can be volatile. Should evidence emerge in 2019/20 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10 per cent reduction in the net book value of Council Dwellings (£125.9 million) would result in a reduction of the Revaluation Reserve of £19 million and a £106.9 million charge to the CIES. Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value. The net book value of non-current assets subject to potential revaluation is £1.626 billion.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation charges would increase. For example it is estimated that the annual depreciation charge for Council dwellings would increase by £0.3m for every year that useful lives had to be reduced.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 38.	The Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs could result in a significantly lower or higher fair value measurement for the investment properties and financial assets. Any significant change would however largely be between asset values and the corresponding adjustment accounts - as such this would be unlikely to significantly affect the Council's revenue position or usable reserves.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. No allowance has been made in respect of the recent McCloud age discrimination ruling as it is deemed not material to the Council's accounts.	The effects on the net pensions liability of changes in individual assumptions are considered in detail in Note 27. The ruling may increase the Council's share of Pension Fund liabilities if the Government decides to implement full final salary protection for all those impacted, however, depending on future pay growth and government actions there may little to no impact at all. The worst-case scenario which would be full protections and CPI plus 1.5% pay growth would be £6.6m.

37. Events after the Reporting Period

The Statement of Accounts have been prepared up to 31 March 2019.

There are no material adjusting events after the balance sheet date to report.

38. Statement of Accounting Policies

i. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

iii. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where the exact amount of a debtor or creditor was not known at the time of closing the accounts then an estimated amount has been used.

Any known uncollectable debts are written off and where there is uncertainty over debt recovery an allowance for doubtful debt is made. In both instances a charge is made to revenue.

iv. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to services as agreed in the annual budget.

v. GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

38. Statement of Accounting Policies (cont'd)

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income & Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to help pay for facilities and community services such as: transport including roads, schools/colleges, medical/health services, sports and open spaces.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charge may be used to fund revenue expenditure.

vi. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. COUNCIL TAX AND NON-DOMESTIC RATES

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

38. Statement of Accounting Policies (cont'd)

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

viii. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

ix. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits, or service potential associated with the item, will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The threshold for capital expenditure has been set at £10,000.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:
- infrastructure, community assets and assets under construction - depreciated historical cost.
- dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH).
- council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- school buildings, sports centres and libraries – are deemed specialist nature and are measured at depreciated replacement cost which is used as an estimate of current value.
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Depreciated Replacement Cost is used as an estimate of current value where there is no market-based evidence of current value because of the specialist nature of an asset, for example schools.

Depreciated Historical Cost basis is used as a proxy for current value where non-property assets have short useful lives or low values (or both).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

38. Statement of Accounting Policies (cont'd)

All items of property, plant and equipment, except Council Dwellings, are revalued on a four year rolling programme. Council Dwellings are revalued annually.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted, where material, for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

The estimated life is determined at the time of acquisition or when the asset has been revalued. Assets are depreciated from the year after their acquisition or completion, and are depreciated in the year of disposal. Depreciation is calculated on a straight line basis with no residual value.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, leading to a significantly different depreciation profile, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is assessed immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

38. Statement of Accounting Policies (cont'd)

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 75% of receipts relating to Right to Buy disposals (net of statutory deductions and allowances) is payable to the Government, except where receipts have been retained under the 1-4-1 replacement scheme.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant or equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

x. HERITAGE ASSETS

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Valuation Policy

The Council has decided to disclose Heritage Assets on a market valuation basis on the balance sheet. Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment, except where it is not practical to obtain a valuation. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external Valuers, nor is there any prescribed minimum period between valuations.

Depreciation, amortisation and impairment policy

The Council has a policy of not charging depreciation or amortisation on heritage assets which have indefinite lives. The carrying amount of a heritage asset shall be reviewed where there is evidence of impairment; for example, where an asset has suffered physical deterioration or breakage or new doubts arise as to its authenticity.

The Council has reported four categories of heritage assets:

(i) Art Collections
This category consists of pictures and works of art including historical paintings, sketches and other artwork including the Cecil French Bequest and is reported in the balance sheet at market valuation. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(ii) Books & Printed Materials
This category consists of books, and other printed material such as press, pictures, drawings and prints. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(iii) Ceramics & Glass
This category consists of ceramics and glass. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(iv) Other Heritage Assets
This category consists of clocks, watches, coins, general items, jewellery, silver items, vertu, other decorative arts and the Mylne Bequest. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

38. Statement of Accounting Policies (cont'd)

xi. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:
• a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
• a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

38. Statement of Accounting Policies (cont'd)

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:
• a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
• finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xiii. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's existing PFI scheme (which provides services for vulnerable older people in the borough) the liability was written down by an initial capital contribution of £2.9m.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into the following elements:
• fair value of the services received during the year - debited to Adult Social Care service in the Comprehensive Income and Expenditure Statement
• finance cost - an interest charge between 8-17% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

38. Statement of Accounting Policies (cont'd)

• contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
• payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

xiv. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The depreciable amount of an intangible asset is amortised over its useful life, usually 4 years but ranging between 3 to 10 years, to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. INVENTORIES

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the 'First-in, First-out' (FIFO) costing formula.

xvi. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that, having originally been invested for no longer than three months, are repayable on demand or readily convertible to known amounts of cash with an insignificant risk of change in value. Fixed Deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form and integral part of the authority's cash management.

Cash and Cash Equivalents are held to meet the daily cash flow needs of the Council. These are distinct from investments that are held for the purposes of capital protection or appreciation and/or earning a return.

xvii. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

38. Statement of Accounting Policies (cont'd)

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The council's business model is to hold investments to collect contractual cash flows.

Financial assets are therefore classified as amortised cost, except for those whose contractual payments are nnot solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for that particular instrument. For most of the loans which the Council has made, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement in the year is the amount which the loan agreement identified as receivable.

38. Statement of Accounting Policies (cont'd)

Where assets are identified as impaired because of a past event and there is a likelihood that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – professional estimate.

The inputs to the measurement techniques are categorised in accordance with the following three levels:
Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date.
Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3 inputs - unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Financial Instruments Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

xviii. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

38. Statement of Accounting Policies (cont'd)

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the following pension schemes:

• Under the provisions of the Local Government Pension Scheme: the London Borough of Hammersmith and Fulham Pension Fund, administered by London Borough of Hammersmith and Fulham.
• Also under the Local Government Pension Scheme: the London Pensions Fund Authority (LPFA) Pension Fund, administered by the LPFA.
• The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

All schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The

Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

Pension funds under the Local Government Scheme are accounted for as defined benefits schemes:
• The liabilities of the Funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
• Liabilities are discounted to their value at current prices, using a discount rate of 2.40% (2.55% in 2017/18). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the Merrill Lynch AA-rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the 'spot rate' approach adopted at the previous accounting date.
• The assets of the Funds attributable to the Council are included in the Balance Sheet at their fair value:
- quoted securities and pooled investment vehicles - current bid price
- fixed interest securities net market value based on current yields at the balance sheet date
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value.
• The change in the net pensions liability is analysed into the following components:

Service Cost comprising:

- **current service cost**: the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **past service cost**: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier year - debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Centrally Managed Budgets.
- **net interest on the net defined benefit liability (asset)**: i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the

38. Statement of Accounting Policies (cont'd)

period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- **Re-measurement of the return on plan assets:** excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial gains and losses:** (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) debited to the Pensions Reserve.
- **Contributions paid to the Funds:** cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

xix. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where:

(a) an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council, or
(b) in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material

38. Statement of Accounting Policies (cont'd)

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

xx. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept in order to manage the accounting processes for non-current assets (e.g. Revaluation Reserve), financial instruments, retirement (e.g. Pensions Reserve) and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

xxi. INTERESTS IN COMPANIES AND OTHER ENTITIES

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities it is required to prepare group accounts.

The Council has interests in a number of companies and other entities however, based on consideration of criteria to determine what constitutes a material interest, the Council has determined that a full set of Group Accounts is not required for 2018/19. Companies in which the Council has an interest are detailed in Note 36 to the Core Financial Statements.

xxii. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

xxiii. FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in a foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xxiv. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxv. EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial position.

xxvi. FAIR VALUE MEASUREMENT

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date.

38. Statement of Accounting Policies (cont'd)

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:
a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

39. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 38, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.
The critical judgements made in the Statement of Accounts are:

Funding
There continues to be a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Accounting for Schools - Recognition of Schools
The Council has been required to take a view on which school assets are recognised on the Council's balance sheet. The Council has recognised Community schools and Voluntary Controlled schools. The Council has not recognised Voluntary Aided, Free, or Academy Schools as it is of the view that these school assets are - to varying degree - beyond the control of the Authority. This position was thoroughly reviewed in light of guidance issued in 2014/15.

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cashflows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

Accounting for Schools - Transfer of Schools to Academy Status
When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal of land and building for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.

Accounting for Schools - Transfer of Capital Grants
When an unconditional capital grant is passed to a school within the Council's accounting boundary, and remains unspent at the year-end, the Council has taken a view to account for this within Schools' Reserves as opposed to Capital Grants Unapplied.

Capital Charges associated with HRA Non-Dwelling Assets
In 2012/13, as part of transitional funding arrangements in the Housing Revenue Account (HRA), the Department for Local Government and Communities (DCLG) determined that the depreciation of non-dwelling assets should impact on the HRA balance. This determination was later extended to cover revaluation losses. Previously, such costs were neutralised to the Capital Adjustment Account (CAA). The Council, in complying with this determination, has taken a view that, in order to apply it consistently, it should also apply to revaluation gains. Gains incurred on investment properties have been reserved in an earmarked reserve - seeing that no revaluation reserve is available - which will be held to mitigate against future potential losses. The Council has taken a view that the DCLG determination does not extend gains and losses incurred on disposal. The Council has not adjusted the CAA to remove any funding associated with non-dwellings which has been reserved there. The DCLG issued a new determination in 2017 which substantially addressed the above issue, however the previous determination still applies to the period to which it pertained.

39. Critical Judgements in Applying Accounting Policies (cont'd)

Investment Properties
Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

Group Accounts
The group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality.

40. Accounting Standards not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

• IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

• IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This is not anticipated to have a material impact on the Council.

• IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

• IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no material impact on the Council's accounts.

• IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. This is not anticipated to have a material impact on the Council.

SUPPLEMENTARY FINANCIAL STATEMENTS

Collection Fund Account

Housing Revenue Account (HRA)

Pension Fund Accounts

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	2018/19 Business Rates £000	2018/19 Council Tax £000	2018/19 Total £000	2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000	Notes
Income							
Council Tax Collectable	-	(82,584)	(82,584)	-	(79,580)	(79,580)	1
Business Rates Collectable	(242,304)	-	(242,304)	(202,336)	-	(202,336)	2
Business Rate Supplement Collectable	(7,758)	-	(7,758)	(7,473)	-	(7,473)	
Transitional Protection Payment	(9,520)	-	(9,520)	(23,822)	-	(23,822)	
Total Income	**(259,582)**	**(82,584)**	**(342,166)**	**(233,631)**	**(79,580)**	**(313,211)**	
Expenditure							
Precepts and Demands:							
Central Government (CLG)	-	-	-	77,027	-	77,027	
LB Hammersmith & Fulham	148,968	56,664	205,632	70,024	55,268	125,292	
Greater London Authority	83,794	22,908	106,702	86,363	21,290	107,653	
Business Rate Supplement							
Payment to the Greater London Authority	7,745	-	7,745	7,461	-	7,461	2
Cost of collection	13	-	13	13	-	13	
Charges to Collection Fund							
Write-offs of uncollectable amounts	856	711	1,567	3,018	557	3,575	
Increase/ (Decrease) in Allowance for Doubtful Debts	1,210	(282)	928	58	2,179	2,236	
Increase/ (Decrease) in Provision for Appeals	13,117	-	13,117	7,890	-	7,890	
Distribution/(Recovery) of prior year surplus/(deficit)	(42,657)	2,603	(40,054)	13,948	1,403	15,350	
Cost of collection	582	-	582	584	-	584	
Total Expenditure	**213,628**	**82,604**	**296,232**	**266,385**	**80,697**	**347,083**	
Movement on Fund balance	**(45,954)**	**20**	**(45,934)**	**32,755**	**1,117**	**33,872**	
(Surplus)/Deficit as at 1 April	17,517	(2,914)	14,603	(15,238)	(4,031)	(19,269)	
(Surplus)/Deficit as at 31 March	**(28,437)**	**(2,894)**	**(31,331)**	**17,517**	**(2,914)**	**14,603**	

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax Income is the amount payable by council tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2018/19 it was calculated as follows:

Band	Number of Dwellings 2018/19	Total after Exemptions, Disregards and Disabled Relief	Ratio to Band D	Band D Equivalent Properties	Adjustments for New Properties, other exemptions etc.	Adjustments for Council Tax Support	Total Band D equivalents 2018/19	Band D equivalents 2017/18
A	3,800	2,900	6/9	1,933	(5)	(528)	1,400	1,349
B	6,402	4,873	7/9	3,790	29	(1,150)	2,669	2,619
C	14,301	12,173	8/9	10,820	(9)	(2,606)	8,205	8,042
D	24,687	21,866	1	21,866	(80)	(3,427)	18,359	18,209
E	15,782	14,356	11/9	17,546	169	(2,066)	15,649	14,955
F	9,501	8,765	13/9	12,661	67	(912)	11,816	11,381
G	11,108	10,482	15/9	17,470	130	(486)	17,114	16,793
H	2,405	2,329	18/9	4,658	(1)	(17)	4,640	4,538
Total	**87,986**	**77,744**		**90,744**	**300**	**(11,192)**	**79,852**	**77,886**

The 2018/19 Council Tax Base after allowing for adjustments for non collection was 77,856

The Council set a 2018/19 Band D charge of £727.81 (no change from 2017/18), the GLA's Band D charge for 2018/19 was £294.23 making a total Band D Council Tax charge for 2018/19 of £1,022.04.

2. National Non-Domestic Rates

NNDR is organised and administered on a national basis, however for 2018/19 the Council has entered into a pooled arrangement with all other London Authorities. The council collects non-domestic rates for its area that are based on local rateable values muliplied by a uniform rate (set by the Government). The National Non Domestic Rateable Value at 31 March 2019 was £591.210m (£567.853m as at 31 March 2018). The standard NNDR multiplier for 2018/19 was 49.3 pence (47.9. pence in 2017/18). The Small Business Rate Relief multiplier for 2018/19 was 48.0 pence (46.6 pence in 2017/18).

In 2018/19 H&F participated in a 100% business rates retention pilot for London. Through this pilot business rates have been pooled across the 33 London Boroughs and Greater London Authority (GLA). Under such an arrangement London will keep 100% of any growth in business rates, though business rates valuations and levels would still be set by Government.

The council is also required to collect a Business Rate Supplement (BRS) from NNDR taxpayers. This BRS is then paid over to Greater London Authority (GLA) who have responsibility for applying it to the Crossrail project across London.

3. Collection Fund Balance

A proportion of the Collection Fund balance above is properly attributable to the GLA or the CLG and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Council's Balance Sheet with the remainder treated as an accrual to the other Authorities. The balance accruing to Central Government is in respect of previous years prior to the adoption of the London Pool Pilot.

	2018/19			2017/18		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
London Borough of Hammersmith and Fulham	(9,652)	(2,040)	(11,692)	5,255	(2,068)	3,187
Greater London Authority	(10,489)	(854)	(11,343)	6,481	(846)	5,635
Central Government (CLG)	(8,296)	-	(8,296)	5,781	-	5,781
	(28,437)	**(2,894)**	**(31,331)**	**17,517**	**(2,914)**	**14,603**

Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	Notes	2018/19 £000	2017/18 £000 Restated*
Income			
Dwelling Rents		(67,133)	(68,481)
Non-dwelling rents		(105)	-
Charges for services and facilities		(16,297)	(13,950)
Contributions towards expenditure		(1,344)	(2,301)
Reimbursement of Costs		-	-
		(84,879)	**(84,732)**
Expenditure			
Repairs and maintenance and management			
Repairs and maintenance		16,345	16,164
Supervision and management		37,857	33,158
Rents, rates, taxes and other charges		463	397
Depreciation and impairment of non-current assets	6	21,127	18,655
Depreciation and impairment of non-current assets - dwelling revaluation	6	13,267	35,780
Debt management costs		114	118
Movement in the allowance for bad debts		1,728	957
		90,901	**105,229**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**6,022**	**20,497**
HRA services' share of Corporate and Democratic Core		-	312
HRA services' share of Non Distributed Costs		(210)	(406)
Net (Income)/Cost for HRA Services		**5,812**	**20,403**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/loss on sale of HRA non-current assets		(3,206)	(8,168)
Income and expenditure in relation to investment properties and changes in their fair value		(1,795)	72
Interest payable and similar charges		(3,322)	(2,584)
Interest and investment income		8,761	8,944
Net interest on the net defined benefit liability (asset)		(340)	(153)
Capital grants and contributions		1,459	1,670
Other Operating Income		(196)	(1,555)
(Surplus)/deficit for the year on HRA services		**7,173**	**18,629**
Movement on the HRA Statement			
Balance on the HRA at the end of the previous year		**(9,946)**	**(20,128)**
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		7,173	18,629
Adjustments between accounting basis and funding basis under statute	1	(9,289)	(24,786)
Net (increase)/decrease before transfers to/(from) reserves		(2,116)	(6,157)
Transfers to/(from) reserves			
Major Repairs Reserve		-	-
Earmarked Reserves**		172	16,339
(Increase)/decrease in year on the HRA		**(1,944)**	**10,182**
Balance on the HRA at the end of the current year		**(11,890)**	**(9,946)**

* The 2017/18 comparative was restated to ensure the Net (Income)/Cost for HRA Services cross-references to the CIES.
** For movements in HRA earmarked reserves refer to note 4 of the Core Financial Statements.

Notes to the Housing Revenue Account

1. Adjustments between accounting basis and funding basis under statute

	2018/19 £000	2017/18 £000
Charges for depreciation of non-dwellings	(254)	(232)
Charges for depreciation of dwellings	15,850	16,261
Reversal of Major Repairs Allowance credited to the HRA	(15,596)	(16,028)
Impairment/Revaluation gains, losses (charged to the I&E)	(18,289)	(37,942)
Revenue expenditure funded from capital under statute (REFCUS)	(623)	(266)
Movements in the market value of investment properties	-	-
Capital Funding	8,138	6,939
Gain or loss on sale of HRA non-current assets	3,331	8,870
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	-	-
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-	(38)
HRA share of contributions (to)/from the Pensions Reserve	(1,846)	(2,350)
Total	**(9,289)**	**(24,786)**

2. Housing Stock

The Council has overall responsibility for managing the housing stock. The average number of dwellings during 2018/19 was 12,143. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents.

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2018	12,147	67	13	12,227
Adjustment to opening balance	-	-	-	-
Additions	10	-	-	10
Transfers	-	-	-	-
Disposals	(19)	-	-	(19)
Number at 31 March 2019	**12,138**	**67**	**13**	**12,218**

3. Stock Valuation

The net balance sheet value of land, housing dwellings and other assets within the HRA is as follows:

	31 March 2019 £000	31 March 2018 £000
Operational Assets		
Housing Dwellings	1,259,477	1,272,098
Other Land and Buildings	8,532	11,333
Vehicles, Plant, Equipment	217	-
Intangible Assets	15	33
Non Operational Assets		
Surplus Assets	-	6,788
Investment Properties	55,429	53,186
	1,323,670	**1,343,438**

The open market, vacant possession fair value of houses and flats within the HRA as at 31 March 2019 was £5.02 billion. This compares to the balance sheet value of £1.27 billion for the Council's dwelling stock and hostels as at 31 March 2019. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

4. Capital Expenditure Financing

	2018/19 £000	2017/18 £000
Borrowing	4,098	-
Major Repairs Reserve	8,172	16,261
Other Grants and Contributions	4,330	5,135
Capital Receipts	3,672	16,087
Total	**20,272**	**37,483**

5. Capital Receipts

During the year the following net capital receipts from disposals were received:

	2018/19 £000	2017/18 £000
Dwelling & Hostels	(4,603)	(8,380)
Non-Dwellings	(4,071)	(4,353)
Total	**(8,674)**	**(12,733)**

6. Depreciation and Impairment

The total charge for depreciation and impairment within the council's HRA is shown below:

	2018/19 £000	2017/18 £000
Operational Assets		
Depreciation		
Dwellings	15,850	16,261
Other Land and Buildings	206	188
Vehicles, Plant, Equipment and Intangible Assets	18	32
Surplus Assets	31	13
Impairment	-	-
Revaluation (Gain) / Loss - non-dwellings	5,022	2,161
Sub-total depreciation and impairment of non-current assets	21,127	18,655
Revaluation (Gain) / Loss - dwellings	13,267	35,780
Total	**34,394**	**54,435**

7. Rent Arrears and Allowance for Doubtful Debts

Gross rent arrears were as follows:

	2018/19 £000	2017/18 £000
Main Council Stock	5,708	6,523
Hostels	672	652
Total	**6,380**	**7,175**

Impairment Allowances for Doubtful Debts at 31 March were:

	2018/19 £000	2017/18 £000
Main Council Stock	(4,875)	(5,071)
Hostels	(661)	(618)
Total	**(5,536)**	**(5,689)**

Pension Fund Accounts

Fund Account

	Note	2018/19 £000	2018/19 £000	2017/18 £000	2017/18 £000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	25,074		24,268	
From Members	7	7,157	32,231	6,781	31,049
Transfers In from other Pension Funds			2,934		3,012
Other Income			1,221		(607)
Benefits					
Pensions	8	(32,912)		(31,465)	
Commutation & Lump Sum Retirement Benefits	8	(8,167)	(41,079)	(7,256)	(38,721)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(7,726)		(4,086)
Refunds to members leaving service			(41)		(20)
Net Additions (Withdrawals) from dealings with members			**(12,460)**		**(9,373)**
Management expenses	9		**(6,199)**		**(4,503)**
Net Additions (Withdrawals) including fund management expenses			**(18,659)**		**(13,876)**
Returns on Investments					
Investment Income	10		**11,967**		10,283
Profit and losses on disposal of investments and changes in value of investments	12		49,142		10,384
Net Return on Investments			**61,109**		**20,667**
Net Increase (Decrease) in the net assets available for benefits during the year			**42,450**		**6,791**
Opening Net Assets of the Scheme			**1,009,623**		**1,002,832**
Closing Net Assets of the Scheme			**1,052,073**		**1,009,623**

Net Assets Statement

	Note	31 March 2019 £000	31 March 2018 *restated £000
Investment Assets			
Equities	12	150	150
Pooled Property Vehicles	12	55,558	51,933
Pooled Investment Vehicles	12	902,851	890,947
Private Equity / Infrastructure	12	76,442	55,261
Cash Deposits	12	12,843	6,168
Other Investment Balances			
Investment Income Due	12	34	35
Investment Liabilities			
Net Investment Assets	12	**1,047,878**	**1,004,494**
Current Assets	20	5,396	6,420
Current Liabilities	21	(1,201)	(1,291)
Net assets of the Fund available to fund benefits at the period end		**1,052,073**	**1,009,623**

* The 31 March 2018 Net Asset Statement has been restated to show the £150k equity holding in the London CIV which had been included with Pooled Investment Vehicles. The £150k relates to the initial set up costs for the London CIV and represents the fund's shareholding in the pool therefore it is disclosed separately as it is classed as a direct equity investment.

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 19a.

Notes to the Pension Fund Accounts

NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Hammersmith and Fulham Council. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The benefits payable in respect of service from 1 April 2014 are based on an employee's career average revalued earnings (CARE) and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 19.

b) Pensions Sub Committee

The Council has delegated the investment arrangements of the scheme to the Audit, Pensions and Standards Committee, who in December 2014 formed a Pensions Sub-committee and delegated all pensions responsibilities to it. The sub-committee decides on the investment strategy most suitable to meet the liabilities of the Fund and has responsibility for the investment strategy. The sub-committee is made up of 5 members, 4 of whom are elected representatives of the Council and one co-opted member, each having voting rights. Members of the admitted bodies and representatives of the Trade Unions may attend the sub-committee meetings but have no voting rights.

The sub-committee reports annually to the Audit, Pensions and Standards Committee and has full delegated authority to make investment decisions. The sub-committee obtains and considers advice from the Strategic Director of Finance and Governance, and as necessary from the Fund's appointed actuary, investment managers and adviser.

c) Pension Board

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets twice a year and has its own Terms of Reference. Board members are independent of the Pensions sub-committee.

d) Investment Principles

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Sub-Committee approved an Investment Strategy on 23 July 2018 (available on the Council's website). The Statement shows the Authority's compliance with the Myner's principles of investment management.

The Sub-committee has delegated the management of the Fund's investments to regulated investment managers (see note 11), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

e) Membership

Membership of the LGPS is voluntary and employees, whilst auto-enrolled into the scheme, are free to choose whether to stay in or leave the scheme, or make their own personal arrangements outside the scheme. Organisations participating in the Hammersmith & Fulham Pension Fund include:

- Scheduled bodies, which are local academies and similar bodies whose staff are automatically entitled to be members of the Fund.

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies and private contractors undertaking a local authority function following outsourcing to the private sector.

The Deferred member numbers include 1,204 undecided leavers, who are no longer paying contributions or in receipt of benefits.

	31 March 2019	31 March 2018 *restated
Number of Active Employers	58	55
Contributing employees	4,332	4,166
Pensioners receiving benefit	5,111	4,920
Deferred Pensioners	6,840	6,603
Total members	**16,283**	**15,689**

Details of the scheduled and admitted bodies are in the Fund's Annual Report.

NOTE 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for 2018/19 and its position at year end as at 31 March 2019. The accounts been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they consider the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in a note to the accounts (Note 19). The Pension Fund Accounts have been prepared on a going concern basis.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account - Revenue Recognition

a) Contribution Income

Normal contributions, both from active members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

c) Investment Income

Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

Fund Account - Expense Items

d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) VSP, MSP and life time allowance

Members are entitled to request that the Pension Fund pays their tax liabilities due in respect of annual allowance and life time allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC, it is treated as an expense in the year in which the payment occurs.

g) Management Expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses 2016".

Administrative expenses – All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance – All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

Investment management expenses – The Sub-Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

Net Assets Statement

h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14a).

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 14a).

j) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

k) Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial Liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The Fund recognises liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of retirement benefits by way of a note to the Net Assets Statement (Note 19a).

n) Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 22. There are also some residual policies with Equitable Life, which are disclosed in Note 22, but it is not open for new members.

o) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund based on actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 9.

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are based on best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

The items for which there is a significant risk of material adjustment are:

a) Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 19a. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets.

b) Private equity investments

The fair value of private equity investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards. The value of private equity investments at the balance sheet date was £3.5m.

c) Private debt/Infrastructure investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also to some extent subjective. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2019, the assets invested with Partners Group were value at £42.3m.

The same applies to the Aviva Infrastructure which is has a quarterly valuation cycle. As at 31 March 2019, the value of the investment was £30.6m.

NOTE 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 19a)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Barnet-Waddingham are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: • 0.1% increase in the discount rate assumption would result in a decrease in pension liability of £30m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximated £2m • 0.1% increase in pension increases would increase the liability by about £28m • A one-year increase in life expectancy would increase the liability by about £62m

Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability. No allowance has been made in respect of the recent McCloud age discrimination ruling as it is not material to the Pension Fund. The ruling may increase Pension Fund liabilities if the Government decides to implement full final salary protection for all those impacted, however, depending on future pay growth and government actions there may little to no impact at all. The worst-case scenario which would be full protections and CPI plus 1.5% pay growth would be £9.5m.

NOTE 6. EVENTS AFTER THE BALANCE SHEET

There have been no material events after the balance sheet date.

NOTE 7. CONTRIBUTIONS RECEIVABLE

Employees’ contributions are calculated on a sliding scale based on a percentage of their gross pay. The administering body, scheduled bodies and admitted bodies are required to make contributions determined by the Fund’s actuary to maintain the solvency of the fund.

The table overleaf shows a breakdown of the total amount of employers’ and employees’ contributions.

	Employers' Contributions				Employees'	
	Normal		Deficit Recovery		Contributions	
		*restated		*restated		
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000	£000	£000
Administering Authority	11,560	11,251	8,302	7,900	5,460	5,139
Scheduled Bodies	1,912	987	857	1,422	814	836
Admitted Bodies	2,268	2,623	175	85	883	806
Total	**15,740**	**14,861**	**9,334**	**9,407**	**7,157**	**6,781**
Total Contributions			**25,074**	**24,268**	**7,157**	**6,781**

NOTE 8. BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable.

	Pensions		Lump sum retirement benefits		Lump sum death benefits	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000	£000	£000
Administering Authority	(30,710)	(29,647)	(6,454)	(5,442)	(476)	(825)
Scheduled Bodies	(332)	(1,574)	(124)	(782)	(71)	(71)
Admitted Bodies	(1,870)	(244)	(719)	(136)	(323)	-
Total	**(32,912)**	**(31,465)**	**(7,297)**	**(6,360)**	**(870)**	**(896)**
Total Lump Sum Benefits					**(8,167)**	**(7,256)**

NOTE 9. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

	2018/19	2017/18
	£000	£000
Administrative costs	(334)	(403)
Investment management expenses	(5,298)	(3,648)
Oversight and governance costs	(567)	(452)
	(6,199)	**(4,503)**

The table below provides a breakdown of the Investment Management Expenses.

	2018/19 £000	2017/18 £000
Management fees	(4,763)	(3,223)
Performance fees	(244)	(343)
Transaction costs	(185)	(38)
Custody fees	(106)	(44)
	(5,298)	**(3,648)**

The Fund reported higher management fees in 18/19 due to improved information from fund managers in relation to the fees deducted at source. The Fund pays its management fees through invoices or deductions made at source by the individual fund managers. Of the £4.7m, £4.4m was deducted at source. The Fund requests and monitors this information from fund managers and accounts for it in its accounts to recognise the net return on investments. Information from the alternative investments such as infrastructure and private debt was not made available in prior years but has been provided for 2018/19. This accounted for about £1.2m of all management fees.

NOTE 10. INVESTMENT INCOME

The table below shows a breakdown of investment income.

	2018/19 £000	2017/18 £000
Pooled investments - unit trusts and other managed funds	8,874	5,331
Income from Bonds	-	47
Interest on Cash Deposits	98	17
Private Equity/Other	2,995	4,888
Total	**11,967**	**10,283**

NOTE 11. INVESTMENT STRATEGY

During 2018/19, the Fund’s strategy had the following developments:

- The Fund invested its full £30m commitment in Aviva Infrastructure in two capital calls. The first was in May 2018 and the last was in November 2018. As at 31 March 2019, the investment was valued at £30.6m.
- In December 2018, the Fund transitioned its entire passive equities portfolio to the MSCI Low Carbon tracker fund under the management of the Legal & General Investment Management team. As at 31 March 2019, this was valued at £374.0m.
- The Fund liquidated its positions in both the Insight Bonds strategy (£85m) and the Majedie Focus and Tortoise strategies which were outside of the London CIV (£35m).
- The proceeds from the sale of the Majedie assets were reinvested into the equity passive strategy.
- On 26 March 2019, the Pensions Sub-Committee agreed to reinvest the proceeds from the Insight sale into the London CIV’s Buy & Maintain strategy in Q1 2018/19. In the interim period, the assets have been invested into the LGIM Sterling Liquidity Fund which was valued at £96.0m on 31 March 2019.

As part of the Fund’s ongoing investment strategy, pooled investments are used as the primary investment vehicle and these are in the form of unit trusts. A breakdown of all the Fund’s investments is included in the table on the following page.

In August 2015, the Funded made a commitment to the Partners Group Direct Infrastructure fund in August. As at 31 March 2019 €33.8m still remained unfunded.

The private equity investments made some years ago are now in the redistribution phase of the cycle, which will be completed in late 2019. As at 31 March 2019, £3.5m remained to be redistributed back into the Fund.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London), the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The London CIV is one of eight LGPS investment pools in the UK and is responsible for the selection of managers on behalf of its shareholders. However, the London Borough of Hammersmith & Fulham Pension Fund maintains the overall responsibility of its investment strategy. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (CIV) to gain efficiencies and fee reductions. As at

31 March 2019, the Fund had £721.8m invested with the London CIV, which accounts for 68.9% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2019 was as follows:

	31 March 2019		31 March 2018	
	Market Value	**Total**	**Market Value**	**Total**
	£000	**%**	**£000**	**%**
Investments managed by the London CIV asset pool				
LGIM - MSCI Low Carbon (Passive)	374,028	35.7%	-	-
LGIM - World Equity (Passive)	-	-	302,920	30.1%
Ruffer - Absolute Return (Active)	126,636	12.1%	157,480	15.7%
Majedie - UK Equity	125,154	11.9%	125,194	12.5%
	625,818	**59.7%**	**585,594**	**58.3%**
Investments managed outside of London CIV asset pool				
M & G - Inflation Opportunities	107,834	10.3%	99,302	9.9%
LGIM - Sterling Liquidity Fund	96,007	9.2%	10,868	1.1%
Oak Hill Advisers - Secured Income (Active)	73,203	7.0%	72,371	7.2%
Standard Life - Long Lease Property	55,558	5.3%	51,933	5.2%
Aviva - Private Infrastructure	30,644	2.9%	-	-
Partners Group - Multi Asset Private Credit	25,318	2.4%	41,711	4.2%
Partners Group - Infrastructure	16,987	1.6%	7,031	0.8%
Invesco - Private Equity	2,199	0.2%	3,757	0.4%
Unigestion - Private Equity	1,293	0.1%	1,871	0.2%
Insight - Bonds	-	-	88,885	8.8%
Majedie - UK Equity (Active)	-	-	33,946	3.4%
Inhouse Cash - Cash	12,867	1.3%	7,075	0.6%
London CIV Ltd	150	0.0%	150	0.0%
	422,060	**40.3%**	**418,900**	**41.7%**
Total Investments	**1,047,878**	**100.0%**	**1,004,494**	**100.0%**

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

	31 March 2019		31 March 2018	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
LGIM - MSCI Low Carbon (Passive)	374,027	35.7%	-	-
LGIM - World Equity (Passive)	-	-	302,920	30.1%
Ruffer - Absolute Return (Active)	126,636	12.1%	157,480	15.7%
Majedie - UK Equity	125,154	11.9%	125,194	12.5%
LGIM - Sterling Liquidity Fund	96,007	9.2%	10,868	1.1%
M & G - Inflation Opportunities	107,834	10.3%	99,302	9.9%
Oak Hill Advisers - Secured Income (Active)	73,203	7.0%	72,371	7.2%
Standard Life - Long Lease Property	55,558	5.3%	51,933	5.2%
Insight - Bonds	-	-	88,885	8.8%

NOTE 12. RECONCILIATION OF MOVEMENT IN INVESTMENTS

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2018/19.

Fund Manager	Value at 1 April 2018 *restated £000	Purchases during the year and derivative payments £000	Sales during the year and deriative receipts £000	Change in market value during the year £000	Value at 31 March 2019 £000
Equities	150	-	(10)	10	**150**
Pooled equity investments	890,947	836,089	(867,391)	43,206	**902,851**
Pooled property investments	51,933	33	-	3,592	**55,558**
Private equity/infrastructure	55,261	38,866	(20,023)	2,338	**76,442**
Sub-total	**998,291**	**874,988**	**(887,424)**	**49,146**	**1,035,001**
Cash Deposits	6,168			22	**12,843**
Investment income due	35			-	**34**
Spot FX contracts	-			(26)	**-**
Totals	**1,004,494**	**874,988**	**(887,424)**	**49,142**	**1,047,878**

The equivalent analysis for 2017/18 is provided below:

Fund Manager	Value at 1 April 2017 £000	Purchases during the year and derivative payments £000	Sales during the year and deriative receipts £000	Change in market value during the year £000	Value at 31 March 2018 £000
Equities	112,475	6,485	(120,878)	1,918	**-**
Pooled equity investments	765,856	197,904	(74,163)	1,500	**891,097**
Pooled property investments	47,037	-	(248)	5,144	**51,933**
Private equity/infrastructure	68,973	5,614	(20,065)	739	**55,261**
Derivatives:					
Forward foreign exchange	(1)	1	-	-	**-**
Sub-total	**994,340**	**210,004**	**(215,354)**	**9,301**	**998,291**
Cash Deposits	7,856			1,065	**6,168**
Amounts receivable from sales of investments	76			-	**-**
Investment income due	521			-	**35**
Spot FX contracts	-			18	**-**
Amounts payable for purchases of investments	(111)			-	**-**
Totals	**1,002,682**	**210,004**	**(215,354)**	**10,384**	**1,004,494**

NOTE 13. FAIR VALUE BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity funds UK and Overseas Managed Funds	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Unquoted bonds and unit trusts	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
Pooled Long Lease Property Fund	Level 2	The Standard Life Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required

Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Infrastructure funds	Level 3	Valued by Fund Managers at the lower of cost and fair value.	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated Downward valuations are enacted where the manager considers there is an impairment to the underlying investment

NOTE 14a. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below.

Level 1 – Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 – Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

Level 3 – Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data e.g. private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group multi asset credit and the infrastructure funds are closed ended and therefore not tradable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

	31 March 2019			31 March 2018		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Financial Assets						
Designated at fair value through profit and loss	-	958,409	76,592	33,940	908,939	55,412
Total Financial Assets	**-**	**958,409**	**76,592**	**33,940**	**908,939**	**55,412**
Financial Liabilities						
Designated at fair value through profit and loss	-	-	-	-	-	-
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets	**-**	**958,409**	**76,592**	**33,940**	**908,939**	**55,412**
			1,035,001			**998,291**

NOTE 14b. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

2018/19	Market Value as at 31/03/2018	Purchases	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market Value as at 31/03/2019
Overseas Infrastructure	13,551	8,866	(3,536)	(940)	2,539	20,480
Private Credit	41,710	-	(16,487)	95	-	25,318
London LGPS CIV	150	-	-	-	-	150
UK Infrastructure	-	30,000	-	644	-	30,644
Total	**55,411**	**38,866**	**(20,023)**	**(201)**	**2,539**	**76,592**

NOTE 15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and net assets statement heading as at the balance sheet date. All investments are quoted unless stated.

	31 March 2019			31 March 2018		
	Designated at fair value through profit & loss	Financial assets at amortised cost	Financial Liabilities at amortised cost	Designated at fair value through profit & loss	Loans and receivables	Financial Liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
FINANCIAL ASSETS						
Pooled Investment Vehicles:						
UK equity funds	806,844			791,194	-	-
UK cash funds	96,007			10,867	-	-
UK property funds	55,558			51,933	-	-
Overseas fixed income fund	-			88,885	-	-
London LGPS CIV	150			150	-	-
UK venture capital	72,950			41,711	-	-
Overseas venture capital	3,492			13,551	-	-
Investment income due	35			35	-	-
Pending trade sales				-	-	-
Cash deposits with managers		12,843		-	6,168	-
Debtors		2,679		-	2,059	-
Cash balances (held by fund)		2,673		-	4,361	-
	1,035,036	18,195	-	998,326	12,588	-
FINANCIAL LIABILITIES						
Pending Trade Purchases				-	-	-
Creditors			(1,185)	-	-	(620)
	-	-	(1,185)	-	-	(620)
GRAND TOTALS	**1,035,036**	**18,195**	**(1,185)**	**998,326**	**12,588**	**(620)**
			1,052,046			**1,010,294**

The carrying value is the same as the fair value for all financial instruments held by the Fund.

NOTE 15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

This table summarises the net gains and losses on financial instruments classified by type of instrument.

	2018/19	2017/18
	£000	£000
Financial Assets		
Fair value through profit and loss	49,146	10,235
Amortised costs - unrealised gains	23	149
Financial Liabilities		
Fair value through profit and loss	(27)	-
	49,142	**10,384**

NOTE 16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund’s liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields and changes in inflation.

The Pensions sub-committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

a) Market Risk
In order to meet the Fund's objective of being fully funded within 22 years of the 2016 actuarial valuation, the fund managers have been set differing targets appropriate to the types of assets they manage. The Fund's assets are invested in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund's portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's investment strategy rests with the Pensions sub-committee and is reviewed on a regular basis.

Price Risk
Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10% higher or 10% lower.

Assets exposed to price risk

	Value	+ 10%	- 10%
	£000	£000	£000
At 31st March 2019	1,035,001	1,138,501	931,501
At 31st March 2018	998,291	1,098,120	898,462

Interest Rate Risk
The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Index linked gilts, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk

	Value	+ 1%	- 1%
	£000	£000	£000
At 31st March 2019	225,147	226,318	230,307
At 31st March 2018	220,753	222,779	218,367

Currency Risk
Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.
The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to.

Assets exposed to currency risk

	Value	+ 10%	- 10%
	£000	£000	£000
At 31st March 2019	424,737	467,211	382,263
At 31st March 2018	418,816	460,698	376,934

b) Credit Risk
Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner

c) Liquidity Risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs; and cash to meet investment commitments. The Fund has immediate access to its cash holdings.

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 9.67% of the Fund's Net Assets at 31 March 2019 (10.20% at 31 March 2018). The remaining can all be liquidated within days.

Manager	Portfolio	31 March 2019	31 March 2018
		£000	£000
Partners Group	Multi Asset Credit	25,319	41,711
Partners Group	Infrastructure	16,987	7,924
Standard Life	Property	55,558	51,933
Invesco	Private Equity	2,199	3,757
Unigestion	Private Equity	1,293	1,871
		101,356	**107,196**

NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had the following commitments at the balance sheet date:

	31 March 2019 £000	31 March 2018 £000
Aviva Infrastructure Fund	-	30,000
Partners Group Direct Infrastructure Fund 2015	29,098	40,198
	29,098	**70,198**

The Aviva infrastructure commitment was fulfilled on 9 November 2019. The Partners infrastructure commitment is expected to be paid by December 2020.

On 26 March 2019, the Pensions Sub-committed appointed PIMCO under the London CIV LGPS Pool as the Fund's new fixed income manager. The Fund expects to subscribe £85m worth of assets to PIMCO in Q1 2019/20.

NOTE 18. STOCK LENDING AGREEMENTS

The Fund did not participate in stock lending or underwriting.

NOTE 19. FUNDING ARRANGEMENTS

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2016 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 30 March 2017. This valuation set the employer contribution rates from 1 April 2017.

The 2016 valuation certified a common contribution rate of 15.5% of pensionable pay (13.6% as at March 2013) to be paid by each employing body participating in the Fund, based on a funding level of 88% (83% as at March 2013). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2016 was £851m and the actuary assessed the present value of the funded obligation at £965m indicating a net liability of £114m (£147m 2013).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

- The rate of accumulation of income and capital on new investments over the long-term and the increase from time to time of income from existing investments.
- Future rises in pensionable pay due to inflation and pension increases.
- Withdrawals from membership due to mortality, ill health and ordinary retirement.
- Progression of pensionable pay due to promotion.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 22 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

The next actuarial valuation of the Fund will be as at 31 March 2019 and will be published in 2020.

NOTE 19a. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2019. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

	31 March 2019	**31 March 2018**
	£000	**£000**
Present Value of Promised Retirement Benefits*	(1,651,279)	(1,630,601)
Fair Value of Scheme Assets (bid value)	1,052,073	1,009,620
Net Liability	**(599,206)**	**(620,981)**

* Present Value of Promised Retirement Benefits comprises of £1,617.1m (£1,592.5m at 31 March 2018) and £34.1m (£37.3m at 31 March 2018) in respect of vested benefits and non-vested benefits respectively as at 31 March 2019.
The assumptions applied by the actuary are set out below:

Financial Assumptions

	31 March 2019	31 March 2018
RPI Increases	3.4%	3.3%
CPI Increases	2.4%	2.3%
Salary increases	3.9%	3.8%
Pension increases	2.4%	2.3%
Discount Rate	2.4%	2.6%

Demographic Assumptions

The post mortality tables adopted are the S2PA tables. The base tables are projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a. The assumed life expectancies from age 65 are:

Life Expectancy from age 65

		31 March 2019	31 March 2018
Retiring today	Males	23.4	24.5
	Females	24.8	26.1
Retiring in 20 years	Males	25.0	26.8
	Females	26.6	28.4

Other Assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

NOTE 20. CURRENT ASSETS

	31 March 2019	31 March 2018
Short term debtors	**£000**	**£000**
Contributions due - employers	1,971	964
Contributions due - employees	453	197
	2,424	**1,161**
Sundry debtors	299	898
Total	**2,723**	**2,059**
Cash at bank	**2,673**	**4,361**
	5,396	**6,420**

	31 March 2019	31 March 2018
Analysis of debtors	**£000**	**£000**
Local authorities	941	228
Other entities and individuals	1,782	1,831
	2,723	**2,059**

NOTE 21. CURRENT LIABILITIES

Creditors	31 March 2019 £000	31 March 2018 £000
Unpaid Benefits	(527)	(75)
Management Expenses	(461)	(369)
HM Revenue and Customs	-	(672)
Sundry creditors	(213)	(175)
	(1,201)	**(1,291)**

Analysis of creditors		31 March 2018 £000
Local authorities		(158)
Central government bodies		(672)
Other entities and individuals	(1,201)	(461)
	(1,201)	**(1,291)**

NOTE 22. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

Zurich Assurance	31 March 2019 £000s	31 March 2018 £000s
Market Value at 31st March	908	824
Contributions during the year	25	35
Number of members at 31st March	51	40
Equitable Life Assurance		
Market Value at 31st March	191	203
Contributions during the year	-	-
Number of members at 31st March	27	29

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 23. RELATED PARTIES

Third Party Relationships
The Pension Fund has several third-party relations for the administration of this fund. This includes the finance and human resources teams. Each counterparty incurred the following costs on behalf of the Pension Fund and were reimbursed by the Fund:

- £0.167m – for costs incurred by Westminster City Council in relation to the finance team
- £0.089m – for costs incurred by the London Borough of Hammersmith & Fulham in relation to the finance and human resources teams
- £0.082m – for costs incurred by the Royal Borough of Kensington & Chelsea in relation to the human resources team

Key management personnel

The key management personnel of the Fund are the Members of the Pensions Sub-Committee, the Strategic Director of Finance and Resources, the Tri-borough Director of Pensions and Treasury and the Director of Corporate Services. Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2019	**31 March 2018**
	£000	**£000**
Short-term benefits	29	26
Post-employment benefits	42	(3)
Other long-terms benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	71	**23**

NOTE 24. AGENCY SERVICES

The Hammersmith and Fulham Pension Fund pays discretionary awards to the former employees of London Borough of Hammersmith and Fulham Council. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the Council. In 2018/19 the pension fund paid discretionary awards of £2.300m (£2.342m in 2017/18).

	2018/19	**2017/18**
	£000	**£000**
Payments on behalf of London Borough of Hammersmith and Fulham	2,300	2,342
	2,300	**2,342**

NOTE 25. EXTERNAL AUDIT COSTS

The external audit fee payable to Fund’s external auditors, Grant Thornton LLP, was £16,170 (£21,000 in 2017/18).

OTHER INFORMATION

ANNUAL GOVERNANCE STATEMENT

Introduction
Our Vision is to be the Best Council. This is the Council's stated purpose, which also sets out what we will do to achieve this against a background of shrinking public sector finances while at the same time, planning for a sustainable future. It is essential that all users of our services and all who pay for them, together with our suppliers and partners, have confidence in our governance arrangements - that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

Our H&F Vision sets out five council priorities, which includes being 'ruthlessly financially efficient'. We have a fantastic record of cutting and freezing council tax and charges to residents, while spending more on vital services such as adult social care. We have developed more efficient practices, cut waste, and sought innovative ways to achieve savings. We want to maintain that record, ambition, and ethos under increasingly severe and ongoing government funding reductions.

In the context of further reductions in government funding, the Council will continue to prioritise and endeavour to maintain strong governance arrangements, focusing on the purpose of the Council and on outcomes for residents, borough businesses, people who work in our borough and visitors. It will do this by engaging with residents and stakeholders and demonstrating the values of good governance by upholding high standards of conduct and behaviour. Further to this, proactive risk and assurance management arrangements have been enhanced to support good governance and the efficient delivery of the council's key objectives.

The Business Plan sets out the council's main priorities for the next four years. This is an ambitious programme that builds on the success that has already set Hammersmith & Fulham Council apart as a leader and innovator in compassionate yet efficient local government.

Our Priorities are:

- ***Doing things with residents, not to them***
- ***Being ruthlessly financially efficient***
- ***Building shared prosperity***
- ***Creating a compassionate council***
- ***Taking pride in H&F***

What is Corporate Governance?
Corporate governance refers to the processes by which the Council is directed, controlled, led and held to account. It is also about culture and values, the way that councillors and employees think and act.

The Council's corporate governance arrangements aim to ensure that it does the right things for the right people in the right way, ie timely, inclusive, open, honest and accountable.

What this Statement tells you
This Statement describes the extent to which the Council has, for the year ended 31 March 2019, complied with its Governance Code and the requirements of the Accounts and Audit Regulations. It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2019-20 period.

The Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

The Council's Governance Responsibilities
The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation. A key part of the Council's code of governance is the role of Cabinet (Executive) as part of decision-making.

The Council's Governance Code renewed in 2019 in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principles involved.

The Governance Framework
The governance framework consists of the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services. As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

Our Constitution

Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Assistant Director of Legal and Democratic Services) and 'Section 151 Officer' (Strategic Director, Finance and Governance) and explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

The three pillars of the governance framework are highlighted below;

Corporate Governance

- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement standing orders)
- Audit, Pensions and Standards Committee
- Internal Audit Service and external audit
- Independent external sources
- Council, Cabinet and Policy and Accountability Committees
- Medium Term Financial Strategy
- Complaints system
- HR policies and procedures
- Whistleblowing and other countering fraud arrangements
- Risk management framework
- Performance management system
- Codes of conduct
- Anti Fraud Service

Management Team

- The role of Chief Officers
- Delivery of Council's aims and objectives
- Corporate Planning
- Delivery, Financial, Service Improvement and Commissioning Plans
- Officer codes of conduct
- Performance appraisal
- The role of the Chief Financial Officer
- The role of the Head of Internal Audit
- Roles and responsibilities of Members and Officers
- Timely production of a Statement of accounts
- Completion of External and Internal audit reports recommendations
- Strategic Leadership Team - Review of Corporate Governance

Services are delivered economically, efficiently & effectively

- Management of risk
- Effectiveness of internal controls
- Democratic engagement and public accountability
- Budget and financial management arrangements
- Standards of conduct and behaviour
- Compliance with laws and regulations, internal policies and procedures
- Action plans dealing with significant issues are approved, actioned and reported on
- Local Government Ombudsman reports
- Electoral Commission reports
- Policy and Accountability reviews
- Effectiveness reviews of Audit Pensions and Standards Committee and Scrutiny Committees, Internal Audit
- Employee performance
- Compliance with Procurement Regulations
- Stakeholder engagement
- Evaluation of benefits gained from investments and projects

Local Code of Corporate Governance

The Council has in place a Local Code of Corporate Governance. The Code identifies the principles of good governance and transparency to which the Council subscribes and identifies the structures, systems and processes that the Council has established to ensure that it achieves good governance in practice. This was most recently reviewed in 2019.

Policy and Accountability Committees (Scrutiny)

The scrutiny function is provided through six Policy and Accountability Committees (PACs). PACs are committees of the Council rather than the Cabinet. They are aligned to the Cabinet Portfolios, as follows:

- Children and Education Policy and Accountability Committee
- Community Safety, Environment and Residents Services Policy and Accountability Committee
- The Economy, Housing and the Arts Policy and Accountability Committee
- Finance, Commercial Revenue and Contracts Policy & Accountability Committee
- Health, Inclusion and Social Care Policy and Accountability Committee.
- Public Services Reform Policy and Accountability Committee

In 2018/19, the Committees had cross cutting remits designed to reflect the Council's key priorities and objectives. They each comprised five elected non-executive Members. Committees were also able to co-opt members who had a particular expertise or direct knowledge of the service user perspective to assist with their work. Co-optees were usually non-voting although the parent governor and diocesan representatives on the Education and Children's Services PAC are entitled to vote on education matters.

Each Committee received the list of Key Decisions (a rolling list of key decisions which the Cabinet planned to take in the coming months) at every meeting, which assists in the development of work programmes and the identification of forthcoming key executive decisions deserving closer scrutiny and input.

PACs also have a wider role in policy development, originating topics of interest. The PACs were established as part of the Council's commitment to public engagement and working with residents in developing policy and strengthening the Council's decision-making process. They work hand-in-hand with residents to shape the future of the borough. They feedback their views to the Cabinet and individual Cabinet Members, officers, external partners and service providers. A large number of non-executive Members participate in scrutinising Cabinet business, external organisations such as the NHS, the Police and other statutory bodies.

Review of effectiveness
In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Pension and Standards Committee, Policy and Accountability Committees, the Council's Strategic Leadership Team and/or Council as appropriate.

Our achievements and external assurances
Services for children and young people with special educational needs and/or disabilities (SEND):
The H&F SEND service covers services across the borough in education, health and social care for children and young people aged up to 25, with special educational needs and disabilities. The inspection covered all the SEND services in the local area, including those run by the NHS. The assessment of borough-wide services for children and young people with special educational needs and/or disabilities (SEND) in H&F says that as a result, young people are achieving well at each key stage of their education. It also commends the work H&F does with parents to put them at the heart of decision-making.

Stephen Wiltshire Centre:
There was special mention of the newly opened Stephen Wiltshire Centre by Ofsted who reported of 'improving access and increasing the range and reach of services such as short breaks'. They said it was succeeding in connecting more parents, previously not receiving this sort of council help, with a wider range of local services.

Social Care Services:
Two of our provided services received an **Outstanding** Care Quality Commission, (CQC), rating. These were our Options Day Services for people with learning disabilities and our jointly funded service with the Clinical Commissioning Group, the Community Independence service. This service is now rated as being in the top four per cent of such services in the country. This is a tremendous achievement.

The manager for our Options service has been asked to work alongside the CQC as one of their lay inspectors, offering additional external support to other councils who provide similar services. This is a real accolade and means that she is a real ambassador for H&F.

Two of our internally provided day services received a **Substantial** rating from their recent internal audit.

Public Sector Network Code of Connection (PSN CoCo):
The Public Services Network (PSN) was set up as an assured route for information sharing by central Government, to facilitate shared services and also serve as the assured route for Government Connects Secure Extranet (GCSx) mail. It acts as a compliance regime that serves as both a commitment to a basic level of information security for connecting government departments and local authorities and also a level of trust between Hammersmith and Fulham Council and other public services. PSN certification is relied upon as an assurance mechanism to support information sharing. The Council successfully achieved accreditation following completion of the compliance verification process. It shows that the Council has successfully achieved compliance by demonstrating to the PSN team that the infrastructure is sufficiently secure.

Fire Safety:
The Housing Asset Strategy and Fire Safety Management System documents, approved by Cabinet, set out a clear strategy for the Council as a landlord to enhance fire safety across its 17,000 plus homes based on property type, risk and occupancy, aligning the Council with the recommendations of the Hackitt review.

Fire risk assessments are in place for all buildings, with those for properties six storeys and above published on the Council's website. All actions are monitored weekly via the Council's compliance IT system, Geometra, including, for example, testing and maintenance of dry/wet risers and automated opening vents. The fire safety plus initiative continues, with over 900 homes having their electrical appliances checked.

Works to upgrade fire doors in buildings 10 storeys and above, sheltered and hostels; new dry risers, and enhancing fire detection in street-based homes is being commissioned. In addition, upgrading emergency lighting and lightning conductors has also been approved by Cabinet for implementation.

Work to further enhance building safety through the development of Building Information Management (BIM) and cloud-based asset management systems and reviewing the condition of building stock and its assets is underway.

Managing Risk

The Council's Risk Management Framework is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically.

All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important as the Council reshapes its services to meet its financial challenges. Members and senior management identify the principal risks to the Council achieving the outcomes set out in the Council Business Plan. These, together with the significant risks to planning and delivering services are recorded in risk registers, which also record the controls necessary to manage the risks.

The registers are reviewed quarterly and challenged by senior management and the Audit Pensions and Standards Committee.

Specific assurance is sought concerning those risks associated with the key elements of the Governance Framework and that any necessary improvements to controls have been implemented.

The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Audit and Audit Assurances

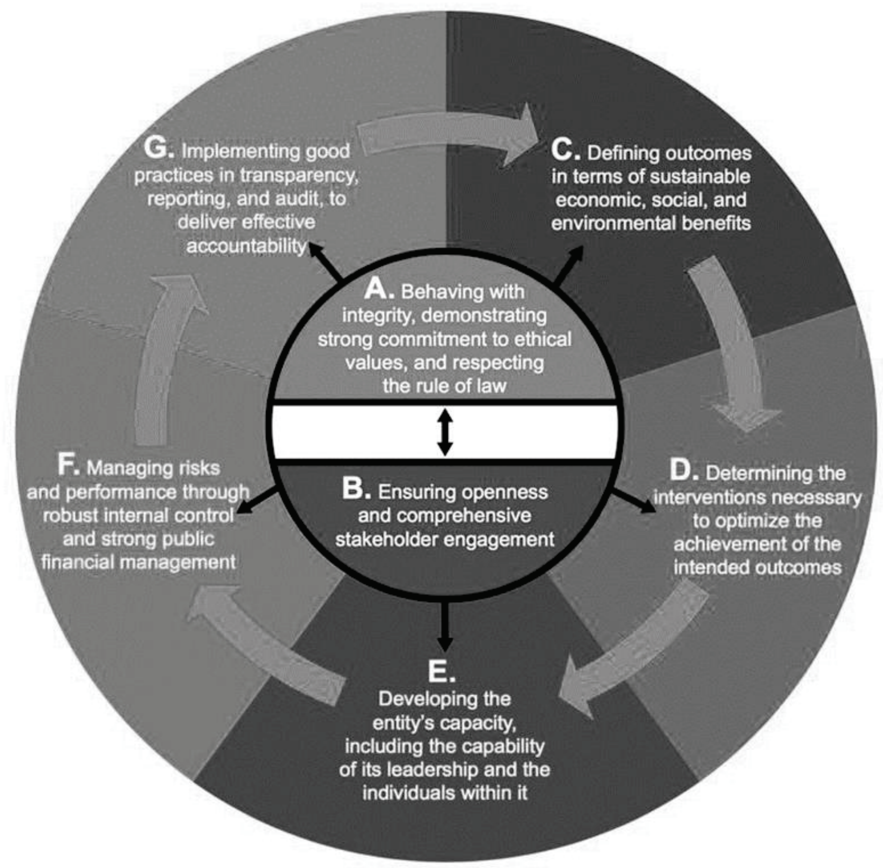
The Council is externally audited. In accordance with statutory requirements, the annual audit includes examining and certifying whether the financial statements are 'true and fair', and assessing our arrangements for securing economy, efficiency and effectiveness in the use of resources. In 2018 the External Auditor gave an unqualified audit opinion on the financial statements.

The Internal Audit Service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of the Council and is managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Audit Pension and Standards Committee approve the Internal Audit Charter, which sets out the Internal Audit role and its responsibilities and clarifies its independence, and the planned audit coverage.

Good Governance Principles

The following diagram provides a summary of information on the areas that the review has considered in accordance with Good Governance Principles:



Our new Enhanced Assurance arrangements

The Council's management team, known as the Strategic Leadership Team (SLT), is chaired by the Chief Executive and its membership in 2018/19 comprised of the Chief Executive and six directors.

Each member of SLT has key areas of responsibility, but together they are jointly responsible (under the Chief Executive) for turning the strategic direction of the Council set by the current administration into operational policy. Over the past 12 months, the Chief Executive, SLT and elected members have continued to build the assurance capability of the Council, providing leadership on standards, expectations and strengthening assurance regimes, ways of working and approaches. This has included embedding risk management throughout the Council, monthly meetings focussed on assurance and conducting reviews of the Council's key risks and opportunities.

The SLT is responsible for the forward-looking approach to delivering services and the Council's transformation programmes - ensuring the Council is best placed to meet the future needs of residents and the community within the funding available. This involves working in new ways with public and voluntary sectors and ensuring services innovate to meet the continuing needs of residents and the demands of new legislation. A new Statutory Accountabilities Board, chaired by the Chief Executive, meets to ensure there are appropriate and coordinated governance arrangements in place for the effective delivery of the Council's statutory functions. The Resources Management Board, comprising the Chief Executive, Strategic Director, Finance and Governance and Director of Corporate Services, meets monthly to consider the management of staffing resources.

Commissioning and Procurement of Goods and Services

The Council recognises the value of considering different service delivery options in delivering our Business Plan. The effective commissioning and procurement of goods, works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are
delivered.

Operational procedures for tendering, the use of the Council's e-tendering system, contract letting, contract management and the use of consultants are included in the Procurement Regulations which form part of the Council's Constitution.

The systems and processes that comprise the Council's governance arrangements have been evaluated for effectiveness for 2018/2019 and include:

Financial Management:
There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures, which are subject to risk assessment, and periodic budget and actual reports to Members. Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review and scrutiny by the Audit, Pensions and Standards Committee.

In order to meet a year on year reduction in grants from Government, our Being Ruthlessly Financially Efficient Priority aims to improve efficiency in our services whilst maintaining our commitment to the most vulnerable and Creating a Compassionate Council. This involves taking a fundamental look at all areas of the Council's work, considering different ways of delivering services and working more effectively. The Medium-Term Financial Strategy sets out a strategic approach to meeting the financial challenges. Internal and external auditors periodically undertake reviews of the Council's Finances.

Stakeholder Engagement and Business Planning: The Council and its partners have comprehensive arrangements for identifying and prioritising stakeholders' needs. The Council's Strategy, Annual Budget and Medium-Term Financial Strategy were robustly developed through a series of challenge events, including review by the Policy and Accountability Committees. A business plan for 2018-22 was developed and this is the culmination of the Council's strategic delivery targets and actions. The plan is monitored regularly by SLT and this plan forms the basis for the production of Directorate / Service Plans, following similar reviews of their performance and identification and prioritisation of their statutory duties and stakeholder needs.

Conduct: Our Codes of Conduct set out the standards of conduct and behaviour required of our Members and our Employees. They are regularly reviewed and updated as necessary.
These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests. The requirements of these codes are included in induction training, are expected of employees and provided to both members and employees, and both groups are regularly reminded of the codes. Over the past year we have reviewed the Anti-bribery and Corruption Policy, Anti-Money Laundering Policy, Fraud Response Plan and are refreshing the risk assessment to inform our work.

Performance: The Council has established arrangements for the management of its objectives and for ensuring that they represent the best use of resources and value for money. A new corporate performance framework has been established, with quarterly performance reports to Strategic Leadership Team on progress against the business plan, major programmes and transformational activities, corporate risks, priority areas and service delivery. These reports, together with associated management arrangements, enable the Council to review data on delivery progress against the agreed performance objectives.

Resident Led Commissions: Over the course of the past year the Council has set up and managed two resident-led commissions to help to inform policy and practice. The Older People's Commission has examined issues affecting older people in the borough and presented its report to the Health, Inclusion and Social Care Policy and Accountability Committee in February 2019. The Policing and Crime Commission was launched in November 2018 and will report later in 2019.

People Strategy: Our people strategy aligns with the Council's vision to be the best by focusing on our ambition to have the best workforce in local government. To achieve this the Council is focusing on employee experience, development, coaching & leadership and organisational culture. The strategy seeks to invest in initiatives and practices which will grow and develop talent in the Council and increase productivity.

Control Systems and Environment: The Council's Internal Audit Service carries out a comprehensive programme of review activity consistent with the Audit Strategy and the Public Sector Internal Audit Standards. The work is based around the core risks faced by the Council and includes significant work on the main financial and information management systems, corporate programmes, partnerships and Shared Services assurance. Based upon the programme of work for 2018/19, the Director of Audit Risk, Fraud and Insurance's opinion on the Council's control environment, governance arrangements and risk management arrangements are that they are satisfactory.

Managing Information: Information is central to the Council and its decision-making processes and it therefore needs to be accurate and accessible to those who need it at the time and place that is required. The Council also recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

Over the past year the Council has been preparing to meet the requirements of the General Data Protection Regulation (a European privacy law that will be included in UK legislation), which took effect from 25 May 2018. This changed how we can collect, use and transfer personal data. A Corporate Project was established to ensure compliance across all parts of the Council's activities and to raise awareness amongst all staff.

Information governance policies and standards are in place which provide the Council's Strategic Leadership Team and Corporate Information Management Board with the necessary assurance about the security of the Council's information assets and data handling procedures. The Senior Information Risk Owner (SIRO) is ultimately accountable for the assurance of information security at the Council. A Caldicott Guardian is responsible for ensuring that health and social care information is managed appropriately, and that our annual new Data Security and Protection Toolkit submission meets the required levels of compliance.

Director and Functional Assurance: Directors have completed statements detailing their confidence in arrangements for managing their recognised core risk areas, which have been subject to independent review. This reflects the directors' responsibilities for both the management of risk and the effectiveness of controls.

Directors with functional responsibility for core risk areas were also required to review and report independently on the effectiveness of the core management systems in each service. The statements received in this regard indicated that overall the management systems were viewed as effective or very effective. Functional assurance can be demonstrated by our Adult Social Care Services approach to governance through examples of Director-led Boards for Budget Management, Performance, Quality Assurance, Recruitment and Staffing and regular Independently chaired quarterly meetings of the Adults Safeguarding Board.

Partnership Governance Arrangements: 'Moving On' refers to the Council's significant transformation and service redesign programme. The first phase was delivered over the course of 2017/18 and implemented sovereign delivery arrangements for the majority of services in Adult Social Care, Children's Services and Public Health, as well as Legal Services. A second phase of Moving On is underway, to disaggregate Resident Services from the shared services arrangements with the Royal Borough of Kensington and Chelsea. The opportunity to move away from shared delivery has been taken to improve the responsiveness of services to residents, facilitate greater sovereignty and control and ensure that local priorities are central to service plans, and ensure that opportunities for local residents, services users and other stakeholders to influence and inform service arrangements are improved.

Anti-Fraud and Corruption: The Council has established arrangements for managing the risk of fraud and corruption and conducting investigations into specific concerns. The Audit, Pensions and Standards Committee receives regular updates on the Council's anti-fraud and corruption arrangements, including how it is responding to emerging fraud risks.

External Audit: The Council's external auditors have statutory powers and responsibilities. They are required to review and report on the Council's Financial Statements, providing an opinion on the accounts, and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion). Recommendations arising from these reviews are reported to the Audit, Pensions and Standards Committee and implementation is monitored by internal audit. Published in 2018/19 (in respect of financial year 2017/18) were the External Audit Report 2017/18 which proposed unqualified opinions for the authority and pension fund financial statements and Value for Money conclusion, the Annual Audit Letter and the certification of grant claims and returns.

Role of the Chief Financial Officer: The Strategic Director, Finance and Governance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and the Council's financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

Role of the Monitoring Officer: The Council is required to appoint a Monitoring Officer who monitors and reviews the operation of the Constitution and ensures the aims and principles of the Constitution are achieved. The Assistant Director of Legal and Democratic Services is the Monitoring Officer and has been involved in preparing this statement. The Monitoring Officer advises on compliance with the Constitution and ensures that decision making is lawful and advises whether decisions of the Executive are within the agreed budget and policy framework. The Monitoring Officer has legal responsibility to consider matters of potential unlawfulness and has confirmed that there has not been the need to make a report concerning any proposal, decision or omission that would give rise to unlawfulness or maladministration. The Monitoring Officer is satisfied that the arrangements in place are working effectively, decisions have been made in accordance with the budget and policy framework and that no matters of significance have been omitted from this Statement.

As part of the senior management reorganisation which came into force in March 2018, the Council created a sovereign Legal Service which is led by the Assistant Director Legal and Democratic Services. The sovereign Legal Service has therefore advised the Council on all legal matters during 2018/19 unless the Assistant Director Legal and Democratic Services commissioned external advice.

Role of the Audit Committee: The Council's Audit, Pensions and Standards Committee has a standing brief to review the effectiveness of the Authority's risk management arrangements, internal control environment and associated anti-fraud and corruption arrangements. The Committee does this through, amongst other things, overseeing the work of Internal Audit and External Audit.

A review of the effectiveness of the system of internal audit, conducted as a self- assessment, showed that the internal audit service is fully compliant with Public Sector Internal Audit Standards.

Conclusion on the review: We are satisfied that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework. A satisfactory level of Assurance has been achieved following the conclusion of the review. Corporate Governance arrangements operate effectively in supporting the Council in meeting its challenges and responsibilities, but we will continue to monitor these to ensure that they remain effective throughout 2019-20 and into the future. There are always opportunities for improvement and where these have been identified, we will ensure that the necessary actions are taken.

Improving Governance

Table 1: The progress made during 2018-19 on the significant issues identified in our 2017-18 Annual Governance Statement is shown below:

1. **Health and Safety, compliance with statutory inspections** Some of the Council's governance processes were found to have been ineffective in response to a failure to meet certain Health and Safety responsibilities.
During 2018-19 some of the Council's governance and assurance processes around compliance were modified and work is continuing to ensure that they are effectively maintained and that management responsibilities, particularly at operational level, are understood and applied.
2. **BT Managed Services** Performance of Transactional Human Resource and Financial Services
The Council has successfully transferred services to a new provider, The Hampshire Partnership. This offered a tried and tested integrated Human Resources and Finance solution currently serving Hampshire County Council, Hampshire Constabulary, Hampshire Fire and Rescue Services and Oxfordshire County Council.
3. **Contract Management** Improvements in practice
Additional arrangements have been implemented corporately including work to consolidate and update records held on CapitalESourcing. This has simplified commissioning and procurement arrangements across many service areas to enable consistent practice, and compliance with corporate service standards. These changes will also enable additional opportunities for contract efficiencies to be realised moving forward.

Table 2: Based on our review of the governance framework, the following issues are being addressed in 2019-20:

1. **Information Governance** Working towards compliance with new data protection law (including the General Data Protection Regulation), access to information law (Freedom of Information Act, Environmental Information Regulations) and controlling risks of data breaches.
Compliance with access to information law is monitored corporately. A strategic review was undertaken to identify areas for improvement. This will inform the relevant Target Operating Models, policies, processes and guidance. All council suppliers were notified regarding the Council's General Data Protection Regulations policy and requirements for compliance.
2. **Commissioning, Procurement and Contract Management Strategy** Improvements in practice to maximise opportunity and innovations.
The opportunity has arisen to develop a new Commissioning, Procurement and Contract Management Strategy which sets out the vision and direction for the Council. Effective commissioning and procurement of goods, works and services is of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.
4. Organisational Health and Safety Health and Safety governance processes were modified for Shared Services, assurance is needed that the new Sovereign processes are effective.
We will continue to ensure that governance and management responsibilities for Health and Safety, particularly at operational level, are understood and applied. Also, we will address any findings that may be highlighted by the Health and Safety Executive.
5. Governance of Local Authority Trading Companies and other Service Models
Work is in hand, including using external legal advice to develop more robust governance arrangements in the event of future Commercial or other models of Trading Services being set up and the effectiveness of those governance arrangements being monitored through the Council's Commercial Revenue Committee.
6. Funding for Schools Funding for pupils with high needs is provided through Dedicated Schools Grant from government. A recent children's services finance survey showed that London boroughs were spending £78m more than their high needs grant allocation, with 32 out of 33 boroughs reporting a shortfall.
The Council is currently spending more that the resources allocated to it in relation to high needs. A project team is working to identify and implement potential options to reduce the underlying funding deficit. The Council has set aside reserves should the recovery plan be unable to recover the cumulative deficit in the medium term.

7. Continuing good governance, oversight and fiscal control of significant change programmes through 2019 2020.

Regeneration Programmes

King Street West

This scheme was approved at Cabinet, the budget approved at Full Council and planning permission was resolved in February 2019. The Council will benefit from efficiencies in delivering modern, inclusively designed and fit-for purpose office and civic accommodation for its staff and visitors, as well as for small and start-up businesses

Education City

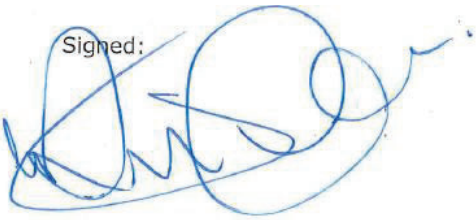
The Education City development will create a new mixed used education hub on the site of the Ark Swift Primary School at Australia Road. The development will include a high-quality primary school, new and expanded nursery, adult education facilities, youth facilities, and office for educational charities, and 132 new homes, 50% of which will be affordable housing.

South Fulham

The Imperial Road development is situated in the south Fulham riverside regeneration area where the council aims to deliver significant growth opportunities for residents, new businesses, housing, jobs and infrastructure.

We propose over the coming year to take further steps to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

Signed:



Leader of the Council, Councillor Stephen Cowan

Signed:

Chief Executive, Kim Smith

Date: 30 July 2019

On behalf of the London Borough of Hammersmith and Fulham

GLOSSARY OF TERMS

ACCOUNTING PERIOD
The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting polices define the process whereby transactions and other events are reflected in financial statements.

ACCOUNTING STANDARDS
A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

ACCRUALS BASIS
Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

ACQUISITIONS
The Council spends funds from the capital programme to buy assets such as land and buildings.

ACTUARIAL VALUATION
The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates every three years.

AGENCY SERVICES
Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

AMORTISATION
The equivalent of depreciation for intangible assets.

APPROPRIATION
The transfer of ownership of an asset, from one Service Area to another at an agreed (usually market or outstanding debt) value.

ASSET REGISTER
A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE
The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

BALANCES
The amount of money left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise the General Fund balance, the Collection Fund balance, the Housing Revenue Account balance and the Education Establishment Account balance.

BUDGET
A forecast of the Council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT
See Note 3c of the Statement of Accounts.

CAPITAL EXPENDITURE
Expenditure on the acquisition or creation of Council assets such as houses, offices, schools and roads or expenditure that adds to and does not merely maintain the value of an existing asset.

CAPITAL FINANCING
Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)
The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION
Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

CAPITAL RECEIPTS
Proceeds from the sale of capital assets (e.g. land, buildings and equipment). These receipts are used to pay for additional capital expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
The professional accountancy body for public services which recommends accounting practice for the preparation of local authority accounts.

COLLECTION FUND
The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business rates are paid.

COMMUNITY ASSETS
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONTINGENT ASSET
A potential asset that is uncertain because it depends on the outcome of a future event.

CONTINGENT LIABILITY
A potential liability that is uncertain because it depends on the outcome of a future event.

CREDITOR
An individual or body to which the Council owes money at the balance sheet date.

CURRENT SERVICE COST
The increase in the present value of pension liabilities expected to arise from employee service in the current period.

DEBTOR
An individual or body that owes money to the Council at the balance sheet date.

DEFERRED CREDITS
This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

DEFERRED LIABILITIES
An amount owed by the Council that will be repaid over a significant period of time. An example of this is outstanding finance lease obligations.

DEFINED BENEFIT PENSION SCHEME
A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and either final salary or average earnings.

DEPRECIATION
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

EARMARKED RESERVE
See Note 4 of the Statement of Accounts.

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Events arising after the Balance Sheet date should be reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction.

FINANCE LEASE
Under this type of lease, the risks and rewards of ownership of the leased goods transfer to the lessee.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
See Note 3c of the Statement of Accounts.

FINANCIAL INSTRUMENTS
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

FIXED ASSET
An asset that yields benefits to the Council and the services it provides for a period of more than a year.

GENERAL FUND
The council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

GOVERNMENT GRANTS
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

GROSS EXPENDITURE
The total cost of providing the Council's services before deducting income from government grants, fees and charges etc.

HISTORICAL COST
The amount originally paid for a fixed asset.

HOUSING REVENUE ACCOUNT
A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

IAS19
This International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT LOSS
A loss arising from an event that significantly reduces an asset's value. An example is physical damage or a fall in market value.

INFRASTRUCTURE ASSETS
Fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. Examples of infrastructure assets highways and footpaths.

INTANGIBLE ASSET
Fixed assets that do not have physical substance but are identified and controlled by the Council and bring benefits to the Council for more than one year. Typical examples include software licences, internally developed software and websites developed to deliver services rather than information about services.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The Accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities have been required to produce full accounts using IFRS from 1st April 2010.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEVIES
Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to the CIES each year and set aside as a provision for the repayment of external loans and meeting other credit liabilities.

NON-DOMESTIC RATES (NDR)
The rates paid by businesses. The amount paid is based on the rateable value set by the Valuation Office multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and shared between central and local government. The rates collected within Hammersmith and Fulham are shared as follows: The London Borough of Hammersmith and Fulham (64%) and the Greater London Authority (36%).

NET BOOK VALUE
The value of an asset as recorded in the accounts. This usually equates to the net current replacement or original cost less any depreciation charged against the asset over its life to date.

NET REALISABLE VALUE
The open market value of the asset less the expenses to be incurred in realising the asset.

OPERATIONAL ASSETS
A fixed asset held and occupied, used or consumed by the Council in the direct delivery of services.

OUTTURN
Actual income and expenditure in a financial year.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

PRIVATE FINANCE INITIATIVE (PFI)
Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

POOLING ARRANGEMENTS (CAPITAL RECEIPTS)
Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the DCLG; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects. Changes introduced in 2013 mean an authority can retain an RTB receipt in its entirety when it can be demonstrated that it will be reinvested in a replacement home (known as the 1-4-1 scheme).

PRECEPT
A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own council tax in the same way as a London Borough. Each Billing authority then collects the tax for them.

PRIOR PERIOD ADJUSTMENTS
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

PROVISIONS
A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified. IAS37 defines a provision as a present obligation as the result of a past event; where it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of that obligation.

PUBLIC SECTOR AUDIT APPOINTMENTS LTD (PSAA)
The PSAA is responsible for the appointment of local government external auditors and will continue in this role for the 2019/20 audit of accounts.

PUBLIC WORKS LOAN BOARD (PWLB)
A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

RELATED PARTIES
Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.

RESERVES
See Note 4 of the Statement of Accounts.

REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)
The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

REVENUE EXPENDITURE
Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, Revenue Support Grant, NNDR and Council Tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is classified as capital expenditure under statutory provisions, but does not result in the creation or enhancement of fixed assets owned by the Council. Such expenditure incurred during the year is treated as revenue expenditure and charged to the relevant service in the CIES.

REVENUE SUPPORT GRANT (RSG)
The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax. The Revenue Support Grant is distributed as part of the Formula Grant.

RIGHT TO BUY
The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the DCLG under pooling arrangements.

STOCKS
The amount of unused or unconsumed stocks held in expectation of future use.

SUPPORTED CAPITAL EXPENDITURE
This is capital expenditure funded by government, either as a one-off capital grant or as part of the annual RSG settlement to cover the financing costs of monies borrowed.

TRANSFER PAYMENTS
A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

USEFUL LIFE
The period over which the Council will benefit from the use of a fixed asset.

WRITE-OFFS
Elimination of an asset or liability over a defined period, usually by means of charging or crediting the CIES.